



## Missouri Small Business Deduction for New Jobs

Established in 2011 by Missouri House Bill 45, the Small Business Deduction for New Jobs (SBDNJ) provides a deduction from income tax for new jobs created in Missouri for certain qualifying small businesses. When original legislation was passed, the language in that bill limited the tax opportunity to corporations and sole proprietors. It did not apply to partnerships or S corporations or pass through entities that do not pay income tax (the income is taxed at the owner level). On June 27, 2012, Missouri passed a remedy to correct this oversight in the original law, which now allows owners of partnerships and S corporations to pass the deduction through to their owners. This change is reflected in Missouri House Bill 1661, and it is great news for small businesses of all types that are creating jobs in Missouri. Sole proprietors, partnerships, C corporations, S corporations, limited liability companies, limited liability partnerships and other business entities are now all eligible if they meet all other qualifying criteria.

The SBDNJ is effective for tax years beginning on or after January 1, 2011 and ending on or before December 31, 2014 for corporations and individuals. Pass through entities qualify for tax years ending on or after August 28, 2012. Shareholders/partners/members may now claim the deduction on their individual returns. The form MO-NJD must be attached to the tax return.

If a small business creates new jobs, it may qualify to claim a deduction for the taxable year each new employee completes at least 52 weeks of full-time employment and that are paid an annual salary that meets the county average wage as determined by the Department of Economic Development. The deduction is \$10,000 for each new job created, or \$20,000 for each new job created by a small business that paid at least 50 percent of all employees' health insurance premiums.

A qualified small business is one that employs fewer than 50 full-time or part-time employees at all times during the tax year for which the deduction is requested. If a small business is affiliated with another business, it must consider each employee of all affiliated businesses in determining the 50 employee count. The business must have more full-time employees in the current year than in the preceding year.

A qualified new employee must complete 52 weeks of full-time employment and work an average of at least 35 hours per week before including them in the deduction calculation. Employees may not have been previously employed in Missouri by the small business or any business affiliated with the small business for a period of 12 months prior to the creation of the new job.



For more information on the Small Business Deduction for New Jobs and other tax issues, please contact Cathy Goldsticker, CPA, at 314.983.1274 or [cgoldsticker@bswllc.com](mailto:cgoldsticker@bswllc.com). Or visit our [website](#) for more tax thought leadership.