

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 17** SLS 201ES 45
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 14, 2020 6:12 PM	Author: HEWITT
Dept./Agy.: Economic Development	
Subject: Angel Investor Tax Credit Extension	Analyst: Greg Albrecht

TAX/TAXATION OR DECREASE GF RV See Note Page 1 of 1
 Provides relative to the Angel Investor Tax Credit Program. (Item #19) (8/1/20)

Present law provides income and franchise tax credits of 25% of investments into certified businesses. Credits are nonrefundable but are transferable, and are disbursed in three equal annual installments. The program can issue \$3.6 million of total credits per year, but unissued credit amounts rollover for issuance in subsequent years. No credits shall be granted or reserved for applications received on or after July 1, 2021.

Proposed law extends the program by two years, to reservation applications received before July 1, 2023.

EXPENDITURES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	DECREASE	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Under current law credits could be granted or reserved up to July 1, 2021 anyway, and could be taken against state tax liabilities through FY23. Thus, a baseline of program credit costs would likely continue over much of the fiscal note horizon at diminishing levels until participation and claims played out with no new participants/investments entering the program. While the program is allowed to issue \$3.6 million of credits per year, credit realizations against tax liabilities have averaged \$1.6 million per year for the past few years (FY14 - FY19, excluding abnormally low FY16 claims). The bill's extension of the program will add increasing costs each year relative to the baseline expectation of annually declining costs sometime after FY23. Based on the program's 24-month delay between credit certification and the ability of taxpayers to utilize the credits, the earliest year of potential impact is FY25, with costs rising each year, maintaining the roughly \$1.6 million per year normal cost of the program.

At the May 11, 2020 REC meeting, the Dept. of Revenue projected program credit costs of \$4 million per year in both FY20 and FY21. Should those projections become the new norm for program cost realizations, then the annual credit cost ramp-up resulting from the bill's extension would likely be higher than discussed above.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
 Legislative Fiscal Officer