



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 429** HLS 23RS 704
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 6, 2023 4:22 PM	Author: PRESSLY
Dept./Agy.: Economic Development	Analyst: Deborah Vivien
Subject: Extends the Angel Investor Credit by 4 years to 7/1/29	

TAX CREDITS OR -\$1,250,000 GF RV See Note Page 1 of 1
 Provides relative to the Angel Investor Tax Credit Program

Present law provides for the Angel Investor Tax Credit Program, which awards transferable income and franchise tax credits for investments in qualified businesses. The credit rate is currently 25% of eligible investments to be taken over two years, with an annual program credit award cap of \$7.2 M (unused capacity carries forward) for applications received before July 1, 2025. Provides an enhanced credit of 35% for investments in businesses located in federal opportunity zones (Tax Cuts and Jobs Act enacted in late 2017). All program credits, with or without enhancement may be claimed beginning two years after the investment is certified. The annual program credit award cap is \$7.2 M (\$720,000 per business) with a lifetime investment cap of \$1.44 M per business; \$3.6 M for opportunity zone investments provided in this bill).

Proposed law extends the program applications through fiscal year 2029 and repeals the requirement that the credits be divided in equal portions for two years allowing all credits to be taken in one year. Effective upon signature.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$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>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	(\$1,250,000)	\$0	\$0	DECREASE	DECREASE	(\$1,250,000)
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>	\$0
Annual Total	(\$1,250,000)	\$0	\$0			(\$1,250,000)

EXPENDITURE EXPLANATION

The Dept. of Economic Development indicates that the changes to the program proposed by this bill will require the re-issuance of credit schedules based on what has been claimed, which will require coordination with the Department of Revenue. Depending on the amount of outstanding credits and the efforts required to administer the change in credit issuance effectively, additional resources may be required.

REVENUE EXPLANATION

Beyond extending the current program, the bill does not change the parameters upon which credits are issued. The bill changes the timing that those credits may be taken.

Program Extension

The current program can award tax credits though FY 25, with realization of those credits against state tax liabilities beginning in FY 27 and occurring through FY 29. Thus, some program credit costs will occur throughout the fiscal note horizon regardless of the program application extension proposed by this bill. The bill's extension of the program will add increasing costs each year relative to the baseline expectation of annually declining costs sometime after FY 27. 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 FY 27, with costs rising each year, maintaining the roughly \$2.5 M per year normal cost of the program.

Credit Timing

Considering FY 18 - FY 22 as a baseline of credit awards that the bill is likely to maintain, an average of \$2.5 M is awarded annually. Though credits can only be taken two years after the investment is certified, the bill accelerates the payments of the credits by allowing 100% to be taken instead of the current 50% over two years. The bill appears to first allow all credits in FY 24.

Because the transition year of FY 24 would include 50% of prior year credits plus 100% of current year credits, the bill will increase the amount of credits claimed in FY 24 by an estimated \$1.25 M to \$3.75M (\$2.5M + \$1.25M). Subsequent years with 100% of credits claimed in each year is roughly equivalent to the current program, subject to typical fluctuations.

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}

Alan M. Boxberger
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 Interim Legislative Fiscal Officer