



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 617** HLS 23RS 724
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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| Date: April 29, 2023 11:10 PM | Author: EDMONDS |
| Dept./Agy.: Economic Development/Revenue | Analyst: Benjamin Vincent |
| Subject: Tax Credit: Life Sciences Investment | |

TAX CREDITS OR DECREASE GF RV See Note Page 1 of 1
 Establishes the Life Sciences Investment Tax Credit Program which consists of a Life Sciences Investment Tax Credit and a Life Sciences FDA Medical Device User Fee tax credit

Proposed law establishes a nonrefundable credit against income or franchise tax for acquisition or construction of qualifying property, or user fees paid to the Food and Drug Administration (FDA) for a medical device, for which only a business qualifying as a "life sciences company" may qualify. The credit amount shall be 10% of the acquisition or construction cost of the qualified property, or equal to the actual amount of user fees paid to the FDA, and a five-year carryforward is authorized.

Proposed law specifies that the Dept. of Economic Development (LED) shall certify credit-eligible spending, and prohibits stacking of expenditures claimed under the credit. Proposed law specifies that no credits may be earned after December 31, 2029.

Proposed law is effective January 1, 2024. Applicable to taxable years beginning on or after January 1, 2024.

| EXPENDITURES | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 5 -YEAR TOTAL |
|---------------------|------------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$100,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$120,000 |
| Agy. Self-Gen. | \$83,000 | \$0 | \$0 | \$0 | \$0 | \$83,000 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$183,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$203,000 |

| REVENUES | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE | |
| 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 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | | | | | | |

EXPENDITURE EXPLANATION

LED anticipates increased expenditures related to an additional FastLane platform, and modifications and development to the LED website. These costs are estimated at \$100,000 up front, and \$5,000 recurring.

LDR anticipates expenditures associated with system development, modification, testing, and with scanner modifications related to instituting a new credit are anticipated. These amount to approximately \$83,000 up front, funded with self-generated revenue that may subsequently reduce SGF revenue.

REVENUE EXPLANATION

Proposed law would offer credits equal to either 10% of eligible facility investments (construction or acquisition), or equal to user fees paid to FDA, for a business meeting the definition of a "life sciences company".

No annual or aggregate maximum amount of credits under the program is provided for in proposed law. Projections of either program participation or credits claimed would be speculative.

For informational purposes, **LED reports that the state has attracted some companies that would qualify as life sciences businesses, and that they have tended to make investments in the range of \$15 million - \$450 million (which would imply a credit of \$1.5 million to \$45 million each). Additionally, at least one such company has recently indicated interest in an investment of up to \$200 million, implying a credit of \$20 million under proposed law. Information on typical expenditures related to FDA user fees is unavailable.**

LED notes that there would not be specific overlap between the proposed program and Research and Development (R&D) credit spending, as different types of spending are required for eligibility for each. However, it appears that some expenditures that are not eligible for this credit- such as wages, supplies, or contract research expenditures by the same business- would be eligible for the R&D credit.

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}

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