

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 454** HLS 17RS 766  
 Bill Text Version: **REENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 25, 2017 12:18 PM	<b>Author:</b> ABRAMSON
<b>Dept./Agy.:</b> Economic Development	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Angel Investor Tax Credit Program	

TAX CREDITS RE DECREASE GF RV See Note Page 1 of 1  
 Extends the sunset and provides for the amount of the Angel Investor Tax Credit

Present law establishes the Angel Investor Tax Credit Program which awards tax credits for investments in qualified businesses. The credit rate is currently 25.2% of eligible investments, with an annual program credit award cap of \$3.6 million of credit award through calendar year 2017, after which no additional credits can be awarded. Credits can be claimed against tax liabilities starting with two years beyond the year of award, and must be spread evenly over a five-year period.

Proposed law extends the program through fiscal year 2021 with a \$3.6 million annual program credit award cap, changes the credit rate to 25%, allows credits to be taken two tax years after the year they were awarded, and allows them to be spread evenly over a three-year period. Certain other program parameters are changed, as well.

<b>EXPENDITURES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	(\$600,000)	(\$2,160,000)	<b>(\$2,760,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$600,000)</b>	<b>(\$2,160,000)</b>	<b>(\$2,760,000)</b>

**EXPENDITURE EXPLANATION**

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

**REVENUE EXPLANATION**

The Department of Economic Development compared the current program credit costs to the costs that would occur under the extension and modifications of this bill. Existing participation in the program will result in credit costs that diminish after FY18 through FY24 even without the changes of this bill. This occurs because the credit awards are allowed through 2017, with that last year of awards allowed to be realized against state liabilities in FY20 through FY24 (spread evenly over five years). The last year of awards is assumed to be the maximum of \$3.6 million allowed (award amounts actually made over the six years of 2011 - 2016 averaged \$3.8 million per year). Combined with credit awards already made and still to be realized against tax liabilities, current program costs are expected to be \$4.3 million in FY18 and dropping to \$720,000 in FY24, before zeroing out in FY25 and beyond.

With this bill, additional credit awards of \$3.6 million are expected to be made each year for another four years. Those additional credits are realized later (24-month delay rather than 12-month) and over only three years rather than five under the current program. Combined with credit awards already made and still to be realized against tax liabilities, extended program costs are expected to be unaffected in FY18 - FY20, then \$3.8 million in FY21, \$4.5 million in FY22, \$4.4 million in FY23, \$4.7 million in FY24, \$2.8 million in FY25, and \$1.6 million in FY26, before zeroing out in FY27 and beyond.

Thus, additional costs expected as a result of this bill begin to occur in FY21 of \$600,000, then \$2.160 million in FY22, rising to \$3.360 million in FY23. \$3.960 million in FY24, before dropping to \$2.760 million in FY25 and then dropping again to \$1.560 million in FY26, before zeroing out in FY27 and beyond. Total additional program costs resulting from this bill are expected to be \$14.4 million over the FY21 - FY26 period.

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*  
**John D. Carpenter**  
**Legislative Fiscal Officer**