

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 160** HLS 21RS 546

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | |
|---|-------------------------------|
| Date: April 28, 2021 6:31 PM | Author: DEVILLIER |
| Dept./Agy.: Economic Development | Analyst: Greg Albrecht |
| Subject: Angel Investor Tax Credit | |

TAX CREDITS OR DECREASE GF RV See Note Page 1 of 1
Provides for the eligibility for the Angel Investor Tax Credit Program

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. Credits can not be claimed for 24 months after an investment has been certified by LED. No credits shall be granted or reserved for applications received on or after July 1, 2023.

Proposed law includes notes, convertible debt, or other similar investment instruments to the equity investment currently provided for by the program.

Effective upon governor's signature.

| EXPENDITURES | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| 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> | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | DECREASE | DECREASE | 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> | \$0 |
| Annual Total | \$0 | \$0 | | | | \$0 |

EXPENDITURE EXPLANATION

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


REVENUE EXPLANATION

According to the Dept. of Economic Development, the bill appears to be allowing convertible notes and other similar investment instruments as investments in participating businesses by participating investors. LED indicates that convertible notes are already eligible for the program's tax credits upon conversion to equity. The bill appears to make these instruments eligible for tax credits prior to the conversion to equity. This may make the program somewhat more attractive to investors, and result in some additional amount of credit claims in future years.

LED assumes this change would be applicable to investments made after the effectiveness of this bill. Associated credit claims could not occur until 24 months after such an investment were certified by LED, and would still operate within the program's annual \$3.6 million credit cap. Average credit claims over most of the program have averaged \$2.1 million per year, and for the last three years (FY18 - FY20), credit claims have averaged \$2.3 million per year.

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}


Christopher A. Keaton
Legislative Fiscal Officer