

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 7** SLS 161ES 34
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 24, 2016 8:06 PM	Author: DONAHUE
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Limits and sunsets Angel Investor Income Tax Credit	

TAX/TAXATION

OR SEE FISC NOTE GF RV

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Establishes a baseline limit on all claims against income and franchise tax for Angel Investor Tax Credit Program filed during a fiscal year on a first-income, first-served basis and gives claims above the amount priority in the next fiscal year. (gov sig)
Current law authorizes a corporate income or franchise tax transferable credit of 25.2% of a qualifying capital investment in a LA Entrepreneurial Business. The credit will be earned in equal installments over 5 years beginning 2 years after certification. Credits have a 10 year carryforward. The program cost is capped at \$3.6M annually, though unused cap is carried forward. The maximum allowable investment is \$720,000 per year per business and \$1.4M per business.

Proposed law retains current law but imposes program caps of \$2M from 1/1/16-6/30/16 and \$3M per fiscal year through FY 21 and eliminates the carryforward of unused credits (cost cap). The bill removes the 28% reductions in the program and project caps enacted in Act 125 of 2015 increasing the credit to 35%, the program cost cap from 1/1/15 to 12/31/15 from \$3.6M to \$5M (another cap of \$2M from 1/1/16-6/30/16 is also imposed at \$2M, thus the FY 16 cap is unclear) and the project caps increase to \$1M per year per business and \$2M per business. The bill also sunsets the program with no additional credits granted after 6/30/21, though credits granted prior to 7/1/21 are allowed to pay out under the bill's provisions.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The Angel Investor Program has cost the state less than \$1M annually. The caps in this bill are not expected to constrain the program since they seem unlikely to be reached, especially since the program's credits were decreased by 28% through provisions of Act 125 of 2015. However, since the bill also ends the program in FY 22, there may be years in which credits claimed may accelerate in anticipation of the date, even though the bill allows existing credits to be paid under the bill's provisions.

In FY 22, state revenue will gradually increase as the program will no longer grant credits. The increase will be gradual as outstanding credits are claimed over the 7 year life of the credits along with the 10 year carryforward that is allowed.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Gregory V. Albrecht
Chief Economist