

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



Fiscal Note On: **SB 124** SLS 19RS 391  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 29, 2019 6:04 PM	<b>Author:</b> WALSWORTH
<b>Dept./Agy.:</b> Economic Development	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Angel Investor Tax Credit Program	

TAX/TAXATION OR -\$2,400,000 GF RV See Note Page 1 of 1  
 Provides relative to the Angel Investor Tax Credit Program. (gov sig)

Present law provides the Angel Investor Tax Credit Program which awards tax credits for investments in qualified businesses. The credit rate is currently 25% of eligible investments, with an annual program credit award cap of \$3.6 million for applications received before July 1, 2021. No additional credits can be awarded for applications received after that date. Credits can be claimed against tax liabilities starting with two years beyond the year of award, and allows them to be spread evenly over a three-year period.

Proposed law extends the program applications through fiscal year 2023. The annual program credit award cap is increased to \$5 million. The credit rate is increased to 30%, allows credits to be taken in the year after the year they were awarded, and allows them to be spread evenly over a two-year period. Effective upon governor's signature.

<b>EXPENDITURES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</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>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	(\$1,200,000)	(\$2,400,000)	(\$2,400,000)	(\$2,400,000)	<b>(\$8,400,000)</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>(\$1,200,000)</b>	<b>(\$2,400,000)</b>	<b>(\$2,400,000)</b>	<b>(\$2,400,000)</b>	<b>(\$8,400,000)</b>

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Dept. of Economic Development indicates that the changes to the program proposed by this bill will not require additional resources to administer.

**REVENUE EXPLANATION**

The current program can award tax credits though FY21, with realization of those credits against state tax liabilities occurring through FY26. Thus, some program credit costs occurring throughout the fiscal note horizon are not attributable to the changes proposed by this bill.

This bill enhances the credit that can be awarded by 5% (from 25% to 30% of eligible investments), and accelerates the timing by which the awarded credits can be realized against state tax liabilities. To the extent new awards are made under this bill's provisions in 2019, they can be claimed on tax returns filed for 2020 in the spring of 2021, affecting state tax receipts as early as FY21. In addition, the annual amount of credit claim is increased to one-half of award (from one-third). Finally, the total program cap of annual credit awards is increased to \$5 million per year (from \$3.6 million per year).

The enhanced credit rate, accelerated claim timing, and increased annual claim allowance all work to increase annual credit costs of the program, as early as FY21, even under current program participation levels. The increase in the annual credit award cap adds to the annual cost exposure to the extent greater participation levels occur.

Considering 2017 and 2018 as a baseline of credit awards that the bill is likely to maintain; average of \$1.976 million annually. The bill enhances those awards by 20% and increases the portion that can be claimed annually (from 1/3 to 1/2). This simple approach results in an increase in annual program credit costs of about \$1.2 million in FY21 and then \$2.4 million in FY22 and beyond. These costs increases do not account for any additional participation in the program attributable to this bill, beyond a continued baseline assumption, although the bill does increase the annual credit award cap to \$5 million per year (from \$3.6 million per year). While the bill provides more lucrative benefits to participation than under current law, LED has not typically fully awarded the available cap of credit (\$5 million from 2011 - 2015, \$3.6 million from 2015 to present). A fully subscribed program with regard to credit awards and credit claims would boost annual credit costs by roughly an additional \$600,000.

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**  
**Legislative Fiscal Officer**