

## 2017 Regular Session

HOUSE BILL NO. 454

BY REPRESENTATIVE ABRAMSON

**TAX CREDITS:** Extends the sunset and provides for the amount of the Angel Investor Tax Credit

# 1 AN ACT

2 To amend and reenact R.S. 47:6020(C)(2)(b), (D)(1), (2)(a) and (b), and (5)(a) and (b), and  
3 (F)(2), to enact R.S. 47:6020(G), and to repeal R.S. 47:6020(D)(1) and (2)(a),  
4 relative to tax credits; to provide for the termination date for the Angel Investor Tax  
5 Credit Program; to provide for the amount of the credit; to provide with respect to  
6 the claiming of the credit; to provide for effectiveness; and to provide for related  
7 matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 47:6020(G) is hereby enacted to read as follows:

## 10 §6020. Angel Investor Tax Credit Program

\* \* \*

14           Section 2. R.S. 47:6020(C)(2)(b), (D)(1), (2)(a) and (b), and (5)(a) and (b), and  
15       (F)(2) are hereby amended and reenacted to read as follows:

## 16 §6020. Angel Investor Tax Credit Program

\* \* \*

## 18 C. Qualifications.

\* \* \*

\* \* \*

\* \* \*

D. Tax credits. (1) The total amount of tax credits granted by the department in any calendar year shall not exceed three million six hundred thousand dollars. The department shall by rule establish the method of allocating available tax credits to investors including but not limited to a first-come, first-served system, reservation of tax credits for a specific time period, or other method which the department, in its discretion, may find beneficial to the program. If the department does not grant the entire three million six hundred thousand dollars in tax credits in any calendar year, the amount of residual unused tax credits shall carry forward to subsequent calendar years and may be granted in any year without regard to the three million six hundred thousand dollar per year limitation. After the approval of an investor pool, the department shall issue a letter identifying the amount of tax credits that are available to that pool; however, no tax credit shall be granted to an investor until the investment has been made in the Louisiana Entrepreneurial Business.

(2)(a) An investor may apply for and, if qualified, be granted a credit on any income or corporation franchise tax liability owed to the state by the taxpayer seeking to claim the credit in the amount approved by the secretary of the department. The amount of the tax credit shall be based upon the amount of money invested by the investor in the Louisiana Entrepreneurial Business, which investment shall not exceed seven hundred twenty thousand dollars per year per business and one million four hundred forty thousand dollars total per business. Except as otherwise provided in Subparagraph (b) of this Paragraph, the credit shall be allowed against the income tax for the taxable period in which the credit is earned and the

franchise tax for the taxable period following the period in which the credit is earned.

The credits approved by the department shall be granted at the rate of twenty-five percent of the amount of the investment with the credit divided in equal portions for two years.

\* \* \*

12                         (5)(a) If at the close of any calendar year in the five-year period beginning  
13                         with the first year in which a tax credit certificate was issued to an investor, the  
14                         Louisiana Entrepreneurial Business is no longer domiciled in Louisiana, the tax  
15                         credit shall be recaptured from the investor unless change of domicile is the result  
16                         of a merger, consolidation, or other acquisition of such business or all or  
17                         substantially all of the assets of the business with or by a party not affiliated with the  
18                         business.

1                   (iv) The investor transfers the equity in the Louisiana Entrepreneurial  
2                   Business to an entity, trust, or other organization under the control of the investor.  
3                   For purposes of this Subparagraph, an entity shall be deemed to be in control of an  
4                   investor if the investor is the beneficiary owner of at least a majority of the  
5                   outstanding equity securities of the entity or has the right to control the voting power  
6                   of the entity, trust, or other organization to which the securities are transferred.

7                         \*                 \*                 \*

8                   F. Transferability of the credit. Any Angel Investor Tax Credits not  
9                   previously claimed by any taxpayer against its tax may be transferred or sold to  
10                  another Louisiana taxpayer, subject to the following conditions:

11                         \*                 \*                 \*

12                   (2) Transferors and transferees shall submit to the Department of Revenue,  
13                   in writing, a notification of any transfer or sale of tax credits within ten business days  
14                   after the transfer or sale of such tax credits. The notification shall include the  
15                   transferor's tax credit balance prior to transfer, a copy of any tax credit certificate  
16                   issued by the secretary of the Department of Economic Development, the transferor's  
17                   remaining tax credit balance after transfer, all tax identification numbers for both  
18                   transferor and transferee, the date of transfer, the amount transferred, the price paid  
19                   by the transferee to the transferor, and any other information required by the  
20                   department or the Department of Revenue. Any information submitted by a  
21                   transferor or transferee shall be treated by the department and the Department of  
22                   Revenue as proprietary to the entity or person reporting such information and  
23                   therefore confidential. However, this shall not prevent the publication of summary  
24                   data that includes no fewer than three transactions.

25                         \*                 \*                 \*

26                   Section 3. The provisions of Section 5 of Act No. 125 of the 2015 Regular Session  
27                   of the Legislature of Louisiana amending R.S. 47:6020(D)(1) and (2)(a) are hereby repealed  
28                   in their entirety.

29                   Section 4. Sections 1, 4, and 5 of this Act shall become effective on July 1, 2017.

1       Section 5. Sections 2 and 3 of this Act shall become effective on July 1, 2018.

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## DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

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HB 454 Original

2017 Regular Session

Abramson

**Abstract:** Extends the sunset of the Angel Investor Tax Credit Program and provides for the amount of and period of time to claim the credit.

Present law establishes the Angel Investor Tax Credit Program which authorizes a tax credit for certain investments in a qualifying 'La. Entrepreneurial Business' ("business"), as such term is defined under present law. The program is administered by the Dept. of Economic Development ("Dept.").

Present law sunsets the program on July 1, 2017.

Proposed law extends the sunset through July 1, 2021.

Present law establishes requirements for eligibility of investments for award of the tax credit, including a requirement that prior to an investment in a business, the business shall have been approved by the Dept. as one which meets the qualifications of a La. Entrepreneurial Business.

Proposed law changes present law by changing the conditions based on the timing of the Dept.'s certification of the La. Entrepreneurial Business from before the investment is made to before the award of the tax credit.

Present law effective July 1, 2018 provides that the amount of the tax credit shall be equal to 35% of the amount of the investment, and that the credit be divided into equal portions over 5 years.

Proposed law changes present law effective July 1, 2018 by reducing the amount of the credit from 35% to 25% of the investment, and by reducing the number of years over which the credit shall be taken from 5 to 2 years.

Present law effective July 1, 2018 limits the amounts of qualified investment which may be made in a La. Entrepreneurial Business, with an annual limit of \$1 million per year per business, and an overall total limit per business of \$2 million.

Proposed law changes present law effective July 1, 2018 by reducing the annual limit per business from \$1 million to \$720,000, and the overall limit per business from \$2 million to \$1.44 million.

Present law provides that after a tax credit certificate has been issued by the Dept., the tax credit available in the first year shall become deductible from tax liability in the taxpayer's income tax year which occurs 24 months from the date the Dept. certifies the amount of the investment.

Proposed law changes present law by changing the time period during which the tax credit available in the first year may be applied based upon the date the Dept. certifies the amount of the investment, from the tax year occurring 24 months from the certification date to the tax year occurring 12 months from the certification date.

Present law establishes conditions under which a tax credit shall be recaptured from an investor during the three year period after the tax credit certificate is issued based upon the the investor transferring the equity received in connection with the qualified investment.

Proposed law changes present law by adding an exception for the instance where the investor transfers the equity in the business to an entity, trust or other organization under the control of the investor.

Provisions of proposed law concerning the sunset of the program, and effectiveness provisions of this Act become effective July 1, 2017.

Provisions of proposed law concerning the amount of the credit, the number of years over which it may be taken, and other program modifications become effective July 1, 2018.

(Amends R.S. 47:6020(C)(2)(b), (D)(1), (2)(a) and (b), and (5)(a) and (b), and (F)(2); Adds R.S. 47:6020(G); Repeals R.S. 47:6020(D)(1) and (2)(a))