

### Fiscal Estimate - 2005 Session

- Original       Updated       Corrected       Supplemental

<b>LRB Number</b> <b>05-3051/1</b>	<b>Introduction Number</b> <b>SB-290</b>	
<b>Subject</b> Changes to investment credits		
<b>Fiscal Effect</b>		
<b>State:</b> <input checked="" type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue <b>5. Types of Local Government</b> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <b>Units Affected</b> 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	<b>Affected Ch. 20 Appropriations</b>	
<b>Agency/Prepared By</b> DOR/ Kirstin Nelson (608) 261-8984	<b>Authorized Signature</b> Rebecca Boldt (608) 266-6785	<b>Date</b> 9/6/2005

## Fiscal Estimate Narratives

DOR 9/6/2005

LRB Number	05-3051/1	Introduction Number	SB-290	Estimate Type	Original
<b>Subject</b>					
Changes to investment credits					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, a person may claim an early stage seed investment income and franchise tax credit in an amount equal to 25% of the person's initial investment paid in the taxable year to a fund manager that the fund manager invests in a business certified by the Department of Commerce.

This bill clarifies that the amount of the early stage seed investment credit that may be claimed by a partner, a member of a limited liability company, or shareholder of a tax-option corporation is based on the total amount invested by the entity to which the partner, member, or shareholder belongs and determined by the entity's organizational documents. The bill eliminates the requirement that the credit be claimed on the initial investment in the fund and that the investment be paid during the taxable year.

This technical change has no fiscal effect because the amount of credits Commerce may certify for a taxable year is limited.

Also under current law, an individual may claim an income tax credit in each taxable year for two years, beginning with the taxable year in which the individual's initial investment is made, in an amount equal to 12.5% of the individual's bona fide angel investment in a new business venture, as determined by Commerce.

This bill provides that an individual may claim the bona fide angel investment credit in each taxable year for two years, beginning with the taxable year certified by Commerce. Furthermore, partnerships and limited liability companies may not claim the credit and must compute the amount of the credit that each of the partners or members may claim, based on the total amount invested by the partnership or company. Partners and members of limited liability companies may claim the credit in proportion to their ownership interest or as specially allocated in the organizational documents of the partnership or limited liability company.

These technical changes have no fiscal effect because the amount of credits Commerce may certify for a taxable year is limited.

### Long-Range Fiscal Implications