

Fiscal Estimate Narratives

DOR 4/8/2008

LRB Number	07-4044/1	Introduction Number	AB-0817	Estimate Type	Original
Description The early stage seed and angel investment tax credits, the submission of budget information by the department of commerce, and allocating funding to the technology commercialization grant and loan program					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, insurers are not eligible to claim the Early Stage Seed Investment Credit. This bill allows insurers to claim the credit against the license fees imposed on insurance companies under Chapter 76.

Under current law, the maximum amount of eligible Angel investments that a business may receive is \$1,000,000. This bill increases the maximum amount of eligible angel investments that a business may receive to \$4,000,000.

Under current law, a claimant may claim the Angel Investment Credit in an amount equal to 12.5% of the claimant's qualified new business venture in each of two consecutive taxable years beginning with the taxable year in which the investment is made. The bill changes this to 25% in the taxable year that the investment is made.

Fiscal effect

The bill makes no changes to either the maximum annual credit amounts (\$5.5 million per year for the Angel Investment Credit, \$6 million per year for the Early Stage Seed Credit) or the maximum credit total aggregate amounts for all fiscal years (\$47.5 million for the Angel Investment Credit, \$52.5 million for the Early Stage Seed Credit) allowable under current law. Therefore, there will be no fiscal effect as there will be no change in the total amounts of credits claimed.

While there is no fiscal effect, the provision to increase the amount of eligible Angel investments that a business may receive could result in distributional changes. Because the amount of eligible investment is fixed as a result of the annual and aggregate caps on the amounts certified by the Department of Commerce, allowing larger investments to individual firms may result in fewer firms receiving funding, although those firms will be able to receive more eligible funding than under current law.

In addition, individual claimants will, under the bill, may claim their total Angel Investment Credits per investment in a single year compared to two years under current law.

Long-Range Fiscal Implications