



## Fiscal Estimate Narratives

DOR 12/14/2007

LRB Number	<b>07-0016/1</b>	Introduction Number	<b>SB-334</b>	Estimate Type	<b>Original</b>
<b>Description</b> Allocating early stage seed and angel investment credits and excluding early stage seed and angel investment credits from taxable income					

### Assumptions Used in Arriving at Fiscal Estimate

Under this bill, the total amount of all early stage seed investment credits that may be claimed in any calendar year is increased from \$6 million to \$6.5 million and the total amount that may be claimed in all taxable years is increased from \$52.5 million to \$65 million. In addition, the total amount of all angel investment credits that may be claimed in any calendar year is increased from \$5.5 million to \$6.5 million and the total amount that may be claimed in all taxable years is increased from \$47.5 million to \$65 million.

Under current law, the Department of Commerce may certify businesses to receive Early Stage Seed and Angel investments if the business meets certain criteria. Under this bill, for certification purposes the Department of Commerce must give preference to businesses with less than 100 employees, but may certify businesses with 100 employees or more and allow tax credits in lesser amounts for investments in such businesses. The Department of Commerce may certify a business that is testing or producing a product at the time that business seeks certification.

### Fiscal Effect

This estimate uses as its starting point the increased amounts for the Early Stage Seed and Angel Investment credits as enacted by 2007 Act 20.

Based on a review of returns for taxpayers who claimed the Early Stage Seed and Angel Investment credits in 2005, 95% of the amount of Early Stage Seed credit claimed and 90% of the Angel Investment Credit claimed were used in the year claimed. Assuming that 95% of Early Stage Seed Investment Credit is used in the year claimed, and 90% of the amount of Angel Investment Credit is used in the year claimed, the fiscal effect of the bill would be a reduction in revenue of \$800,000 in FY 2008, and a reduction in revenue of \$1.4 million in FY 2009.

The fiscal effect in a given year could be reduced to the extent that the Department of Commerce certifies less than the annual maximum statutory amount in that year.

### Long-Range Fiscal Implications

Using the same assumptions as above, and assuming that all carryforwards would be used by FY 2017, the bill would result in a reduction of revenue in the following amounts:

FY 2010: \$1.4 million  
FY 2011: \$1.4 million  
FY 2012: \$1.4 million  
FY 2013: \$1.4 million  
FY 2014: \$4.0 million  
FY 2015: \$9.3 million  
FY 2016: \$6.5 million  
FY 2017: \$2.7 million

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number 07-0016/1</b>		<b>Introduction Number SB-334</b>	
<b>Description</b> Allocating early stage seed and angel investment credits and excluding early stage seed and angel investment credits from taxable income			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$-1,400,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-1,400,000</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State	Local	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$-1,400,000	\$	
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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