



## Fiscal Estimate Narratives

COMM 9/27/2007

LRB Number	07-2170/3	Introduction Number	AB-0838	Estimate Type	Original
<b>Description</b> Creating an emerging target investment tax credit and granting rule-making authority					

### Assumptions Used in Arriving at Fiscal Estimate

The bill creates an individual income tax credit of 15% of investments made in certain minority-owned, women-owned, and service-disabled veteran-owned businesses. The maximum investment used as a basis for the credit is \$500,000. Over the life of the program, all claimants combined may claim a total of \$20 million.

Under the bill, Commerce would have the following responsibilities:

1. Certify angel investors and networks.
2. Certify the amount of the credit each person may claim.
3. Determine whether a business meets the definition in the bill of a "woman-owned business", a "minority business", or a "service-disabled veteran-owned business".
4. Determine whether a business is engaged in manufacturing, financial services, business services, consumer products and services, media, entertainment, or technology.
5. Notify DOR of persons certified to claim the credit.
6. Post on the Internet all persons certified and the amount of the emerging target investment made by each person certified.

Currently, 1,127 minority-owned businesses are certified by the Department, and the Department certifies, on average, 1,000 (200 new, 800 re-certified), (91% of the total) minority-owned businesses per year. With an estimated 17,924 total eligible minority-owned businesses, this represents an overall certification rate of 6.1%. The total number of eligible woman-owned businesses is estimated at 111,686. Based on these figures and on the potential demand for investment in this targeted group of businesses, the Department estimates that up to 29,600 minority and women-owned businesses could be eligible for investments under the credit. The Department has no data on service-disabled veteran-owned businesses.

To administer this program, the Department will require 2.0 FTE GPR positions. These positions will be an economic development consultant and a grants specialist. The economic development consultant will work with businesses and angel investors to determine how best to meet their needs. The grants specialist will work with certifying investors, determining eligible businesses, and verifying tax credit claims. Annual costs will be as follows:

Salary -- \$82,000  
Fringe -- \$35,200  
Supplies -- \$12,000

TOTAL -- \$129,200

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> Creating an emerging target investment tax credit and granting rule-making authority			
<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	\$117,200		\$
(FTE Position Changes)	(2.0 FTE)		
State Operations - Other Costs	12,000		
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$129,200</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR	129,200		
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, etc.)</b>			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State		Local
NET CHANGE IN COSTS	\$129,200		\$
NET CHANGE IN REVENUE	\$		\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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