

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2018 REGULAR SESSION**

**MEASURE**

2018 BR NUMBER **1389**

**HOUSE** BILL NUMBER **312**

RESOLUTION NUMBER \_\_\_\_\_

AMENDMENT NUMBER \_\_\_\_\_

**SUBJECT/TITLE** **An ACT relating to tax credits and declaring an emergency.**

**SPONSOR** **Representative K. Fleming**

**NOTE SUMMARY**

FISCAL ANALYSIS:  IMPACT     NO IMPACT     INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT:  STATE     LOCAL     FEDERAL

BUDGET UNIT(S) IMPACT: \_\_\_\_\_

FUND(S) IMPACT:  GENERAL     ROAD     FEDERAL     RESTRICTED AGENCY \_\_\_\_\_     OTHER

**FISCAL SUMMARY**

<b>FISCAL ESTIMATES</b>	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>ANNUAL IMPACT AT FULL IMPLEMENTATION</b>
<b>REVENUES</b>		(\$8,000,000)	(\$8,000,000)	(\$8,000,000)
<b>EXPENDITURES</b>				
<b>NET EFFECT</b>		(\$8,000,000)	(\$8,000,000)	(\$8,000,000)

( ) indicates a decrease/negative

**MEASURE'S PURPOSE:** The purpose of this proposal is to repeal the lifetime \$40 million combined tax credit cap for the Kentucky angel investor tax credit and the Kentucky investment fund tax credit. The proposal instead allows a \$5 million annual tax credit cap for the angel investment tax credit and a \$3 million annual tax credit cap for the Kentucky investment fund tax credit. Simplified administrative procedures are allowed, both programs are set to expire on January 1, 2022, and reporting by the Cabinet for Economic Development and the Department of Revenue is required.

**PROVISIONS/MECHANICS:** Section 1 amends KRS 141.068 to set the expiration date of January 1, 2022, for the Kentucky investment fund tax credit and requires the Department of Revenue to report to the Interim Joint Committee on Appropriations and Revenue beginning no later than June 1, 2018.

Section 2 amends KRS 141.396 to set the expiration date of January 1, 2022, for the Kentucky angel investor tax credit and requires the Department of Revenue to report to the Interim Joint Committee on Appropriations and Revenue beginning no later than June 1, 2018.

Section 3 amends KRS 154.20-232 to require the Cabinet for Economic Development to report to the Interim Joint Committee on Appropriations and Revenue beginning no later than June 1, 2018, related to the angel investor tax credit.

Section 4 amends KRS 154.20-234 to modify the types of investments qualifying for the Kentucky angel investor tax credit by eliminating the form of an equity interest.

Section 5 amends KRS 154.20-236 to eliminate the combined \$40 million lifetime tax credit limit for the two tax credits and allows a \$5 million annual tax credit cap for the Kentucky Angel Investment Act. Additionally, the amount of the tax credit is limited to 25 percent of the qualified investment, instead of the current limit of 40 percent of the qualified investment, for qualified small business outside an enhanced incentive county.

Section 6 amends KRS 154.20-238 to change administrative provisions related to the timing of making the investment.

Section 7 amends KRS 154.20-250 to require the Cabinet for Economic Development to report to the Interim Joint Committee on Appropriations and Revenue beginning no later than June 1, 2018, related to the Kentucky investment fund tax credit.

Section 8 amends KRS 154.20-255 to establish an annual cap for the Kentucky investment fund tax credit at \$3 million dollars, instead of the lifetime \$40 million credit cap.

Section 9 amends KRS 154.20-258 to change the Kentucky investment fund tax credit amount. Beginning January 1, 2018, the allowable amount is 25 percent of the investor's qualified investment if the qualified small business is outside an enhanced incentive county or 50 percent of the qualified investment if the qualified small business is inside an enhanced incentive county.

Sections 10 to 16 make technical changes to various sections of KRS Chapters 131 and 141 to consolidate the list of Department of Revenue reports required to be sent to the Legislative Research Commission.

Section 17 establishes an emergency clause.

**FISCAL EXPLANATION:** Information from the agency indicates when considering the applications on hand and in process, the lifetime \$40 million combined tax credit will quickly be met and the program will end. Since this proposal repeals the lifetime credit cap and allows two separate annual caps, one for each tax credit, it is estimated that the annual caps will consistently be met on an annual basis. The fiscal impact is the \$8 million annual caps for the two tax credits.

**DATA SOURCE(S):** LRC staff

**PREPARER:** Jennifer Hays **NOTE NUMBER:** 98 **REVIEW:** JAB **DATE:** 3/8/2018