

REPORTS OF STANDING COMMITTEES

MR. PRESIDENT:

Your Committee on Economic Development

Recommends that Senate Bill No. 243

"AN ACT amending the Kansas venture capital company act; concerning income tax credits for investments in certified Kansas venture capital companies; amending K.S.A. 1986 Supp. 74-8303, 74-8304 and 74-8306 and repealing the existing sections."

Be amended:

On page 2, in line 65, after "taxpayer" by inserting "and against the tax imposed by K.S.A. 40-2801, and amendments thereto, on insurance companies"; by striking all of lines 70 to 75, inclusive; by striking all of lines 79 to 82, inclusive;

On page 3, by striking all of lines 83 to 94, inclusive, and inserting in lieu thereof the following: "in the taxable year in which such investment is made and the taxable years following such taxable year until the total amount of the credit is used. In any one taxable year, the amount of such credit allowable for deduction from the taxpayer's tax liability shall not exceed 25% of the total amount of such credit plus any applicable carryforward amount. The amount by which that portion of the credit allowed by the preceding sentence to be claimed in any one taxable year exceeds the taxpayer's liability in such year may be carried forward until the total amount of the credit is used."; also on page 3, in line 102, by striking "Allocations by"; by striking all of lines 103 to 111, inclusive; in line 112 by striking all preceding "Any";

On page 4, following line 127, by inserting:

"(d) After the \$1,500,000 capitalization threshold required under K.S.A. 1986 Supp. 74-8306, and amendments thereto, has been reached an investor in a venture capital company may enter into a binding investment contract of commitment under which 1/2

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of the face value of the contract is a cash investment made in the current year and the second 1/2 is made within one year of certification. Upon formal notification by a certified venture capital company that such an investment contract has been entered into and not less than 1/2 of the face value of such contract has been received as a cash investment, the secretary of commerce shall reserve a portion of the remaining venture capital tax credit for such investor equal to that attributable to the second 1/2 of the committed investment under such contract. The investor shall be entitled to a tax credit in the year and in the amount that the cash investment is made.";

also on page 4, in line 128, by striking "(d)" and inserting "(e)";

And the bill be passed as amended.

Chairperson

SENATE BILL NO. _____

By

AN ACT amending the Kansas venture capital company act; concerning tax credits for investments in certified Kansas venture capital companies; amending K.S.A. 1986 Supp. 74-8304, as amended by section 2 of 1987 Senate Bill No. 243, and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 1986 Supp. 74-8304, as amended by section 2 of 1987 Senate Bill No. 243, is hereby amended to read as follows: 74-8304. (a) There shall be allowed as a credit against the tax imposed by the Kansas income tax act on the Kansas taxable income of a taxpayer and against the tax imposed by K.S.A. ~~40-2801~~ 40-252, and amendments thereto, on insurance companies for a cash investment in a certified Kansas venture capital company in an amount equal to 25% of such taxpayer's cash investment in any such company in the taxable year in which such investment is made and the taxable years following such taxable year until the total amount of the credit is used. In any one taxable year, the amount of such credit allowable for deduction from the taxpayer's tax liability shall not exceed 25% of the total amount of such credit plus any applicable carryforward amount. The amount by which that portion of the credit allowed by the preceding sentence to be claimed in any one taxable year exceeds the taxpayer's liability in such year may be carried forward until the total amount of the credit is used.

(b) The secretary of revenue shall allow credits that are attributable to not more than \$24,000,000 of cash investments in certified Kansas venture capital companies, which shall include not more than \$10,000,000 for Kansas Venture Capital, Inc. The credits shall be allocated by the secretary for cash investments

in certified Kansas venture capital companies in the order that completed applications for designation as Kansas venture capital companies are received by the secretary. Any certified Kansas venture capital company may apply to the secretary at any time for additional allocation of such credit based upon then committed cash investments, but priority as to such additional allocation shall be determined at the time of such subsequent application. Notwithstanding the provisions of subsection (c), investors in Kansas venture capital companies established after July 1, 1984, which otherwise meet the requirements specified in this act, shall be, upon certification of the Kansas venture capital company, entitled to the tax credit provided in subsection (a) in the calendar year in which the investment was made.

(c) No taxpayer shall claim a credit under this section for cash investment in Kansas Venture Capital, Inc. No Kansas venture capital company shall qualify for the tax credit allowed by Chapter 332 of the 1986 Session Laws of Kansas for investment in stock of Kansas Venture Capital, Inc.

(d) The provisions of this section shall be applicable to cash investments made in any taxable year commencing after December 31, 1985, and prior to January 1, 1993.

Sec. 2. K.S.A. 1986 Supp. 74-8304, as amended by section 2 of 1987 Senate Bill No. 243, is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the Kansas register.