

SESSION OF 2003

SUPPLEMENTAL NOTE ON SENATE BILL NO. 65

As Amended by Senate Committee on
Commerce

Brief*

SB 65, as amended, would make several changes to the Capital Formation Company (CFC) Act which are primarily focused on the way in which the tax credits earned by a CFC could be claimed.

Under current law, an investor may claim 10 percent of its allowable tax credit each year for ten years. The bill would alter this so that an investor would be entitled to claim a percent of the allowable tax credit proportional to the amount of certified funds a CFC has invested in qualified Kansas businesses not to exceed 10 percent each year. Any unused tax credit would roll over to the next calendar year.

The bill would delete current statutory language requiring a CFC to fully invest its certified capital in qualified Kansas businesses within five years.

The bill also would delete current statutory language regarding the recapture of tax credits previously allowed to an investor or transferee if a CFC is decertified.

Finally, the bill would remove statutory language requiring an investigation as to whether a director, trustee, manager, officer, general partner, beneficial owner, or promoter of a proposed CFC has been convicted of or pleaded *nolo contendere* to any criminal offense other than a misdemeanor involving motor vehicle violations. The bill would retain and amend the current requirement of an investigation as to whether the director, trustee, manager, officer, general partner, beneficial owner, or promoter of a proposed CFC has been convicted of any felony or misdemeanor in connection with the purchase or sale of

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org/klrd>

any security or any felony involving fraud or deceit to include whether the person pleaded *nolo contendere* to the crime.

Background

The Senate Committee held a hearing on SB 65, at which time representatives of the Department of Commerce and Housing testified in favor of the bill and proposed further amendments. The conferees explained that changes to the Capital Formation Company Act are necessary in order to implement this legislation which was passed by the 2002 Legislature.

The Division of the Budget did not report a cost to the state associated with passage of SB 65, as introduced.