

SESSION OF 2004

SUPPLEMENTAL NOTE ON SENATE BILL NO. 480

As Amended by House Committee on
Economic Development

Brief*

SB 480 would create the Kansas Angel Investor Tax Credit Act. An accredited investor would be allowed a 50 percent tax credit not to exceed \$50,000 of cash investment in a qualified Kansas business and limited to five such cash investments. The last year to receive a tax credit under the provisions of the bill would be 2016. The cumulative aggregate amount of tax credits allowed for the ten-year period would be \$20.0 million.

A qualified Kansas business would be certified by Kansas Technology Enterprise Corporation (KTEC). An accredited investor would be an accredited investor as defined by the U.S. Securities and Exchange Commission Rule 501 Regulation D and is incurring Kansas income tax. The tax credit could be sold if the investor is not subject to Kansas taxation and only the full credit for any one investment may be transferred. KTEC would be allowed to recover administration costs from the accredited investor or qualified Kansas business.

The bill requires repayment of state investments if the business no longer qualifies or moves out of the state within 10 years.

Finally, the bill would abolish the Kansas Certified Capital Formation Company Act.

Background

Senator Jordan and two representatives of the Kansas Technology Enterprise Corporation spoke in favor of the bill. The Senate Committee made a technical grammatical change to the bill.

*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>

The fiscal note states that the abolishment of the Kansas Certified Capital Formation Company Act tax credits would restore State General Fund revenue by a like amount to be generated by the bill each year until FY 2015. The Kansas Technology Enterprise Corporation indicates that it could implement the bill within its existing resources. The Department of Commerce indicates that passage of the bill would not have a net effect because the bill would allow the agency to charge a fee for reviewing tax credits issued.

The House Committee amended the bill to include a definition of Angel Investor. The Committee also amended the bill to delete language setting the base year as 2006. Committee amendments also added to the list of tax credit application requirements related to a description of the applicant's business product. Finally, the Committee includes language requiring a payback of state investment if the business loses its status as a qualified Kansas business or moving outside the state within 10 years of receiving assistance.