

SESSION OF 2021

SUPPLEMENTAL NOTE ON SENATE BILL NO. 66

As Recommended by Senate Committee on
Commerce

Brief*

SB 66 would reauthorize the Kansas Angel Investor Tax Credit Act (Act) until tax year 2026. The bill would also make changes to the definitions and elements of how the Act operates.

Definitions

The bill would make technical changes to several definitions within the Act.

Tax Credits

Starting tax year 2021, the Secretary of Revenue would be required to ensure no more than \$100,000 in tax credits per Kansas business or \$350,000 in tax credits per investor are claimed in a single year. Furthermore, the bill would state tax credits could not be issued after 2026 and unissued tax credits could not be carried forward past tax year 2026.

The bill would also cap the number of tax credits allowed per year *via* the Act as follows:

- \$6,500,000 for tax year 2023;
- \$7,000,000 for tax year 2024;

*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>

- \$7,500,000 for tax year 2025; and
- \$8,000,000 for tax year 2026.

Tax Credit Eligibility

The bill would amend the Act to allow, beginning tax year 2021, individuals who do not have a current tax liability and who do not reasonably believe they will owe any such tax for the current year to invest in a qualified business and receive up to a 50.0 percent tax credit.

Current statute requires individuals to have not had a tax liability for the “immediate past three taxable years” and the tax credit given is fixed at 50.0 percent rather than up to 50.0 percent.

Loss of Designation

The bill would amend the Act to state that a bioscience business would lose its qualified designation if it moves outside of the State within 10 years of receiving financial assistance and a non-bioscience business would lose such designation if it moves outside the State within five years of receiving assistance.

Current statute states that all qualified businesses would lose their designation if they leave the State within 10 years of receiving assistance.

Venture Capital

The bill would strike language from the Act prohibiting Kansas venture capital companies from qualifying for a tax credit under the Act.

Background

The bill was introduced by the Senate Committee on Commerce at the request of the Kansas Department of Commerce.

Senate Committee Hearing

In the Senate Committee hearing, **proponent** testimony was provided by Representative Stephen Owens and representatives of Biokansas, Enterprise Center in Johnson County, and the Kansas Department of Commerce. The proponents generally stated that the Kansas Angel Investor Tax Credit Act is important for new business development within the State of Kansas.

Neutral testimony was provided by a representative of Kansas Legislative Post Audit.

No **opponent** testimony was provided.

The Senate Committee recommended the bill be placed on the Consent Calendar.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, the Department of Revenue (Department) indicates the bill would require expenditures of \$6,445 from the State General Fund in FY 2022 to implement the bill and modify the automated tax system. The Department estimates enactment of the bill would decrease State General Fund revenues in the following amounts:

- \$1,900,000 in FY 2022;
- \$6,000,000 in FY 2023;

- \$6,500,000 in FY 2024;
- \$7,000,000 in FY 2025; and
- \$7,500,000 in FY 2026.

Any fiscal effect associated with the bill is not reflected in the *The FY 2022 Governor's Budget Report*.

Commerce, Economic Development, Kansas Angel Investor Tax Credit Act, investment, tax credits