



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1437

PRINTERS NO. 1775

PRIME SPONSOR: M. K. Keller

COST / (SAVINGS)

FUND	FY 2018/19	FY 2019/20
General Fund	\$0	See Fiscal Impact

SUMMARY: House Bill 1437, Printer's Number 1775, amends the Tax Reform Code further providing for definitions, rural growth funds, requirements and reporting obligations, failure to comply, tax credit certificates and revocation of certificates, prohibitions and claiming of tax credits in the Rural Jobs and Investment Tax Credit program.

ANALYSIS: This legislation adds definitions for full-time equivalent employee, jobs created, jobs retained and state repayment amount and amends the definitions of principal business operations, qualified tax liability, rural business and rural growth investment.

The qualifications necessary for a rural growth fund are amended to require that at least one principal in the rural business investment company has been an officer or employee of the applicant for at least four years prior to the application. Language is added to clarify that an applicant may resubmit its application within 30 days of a disapproval and provide additional information to complete, clarify or cure defects identified by the department. The department shall consider that application submitted before any pending applications after the date the application was originally submitted.

The bill clarifies the calculation of the number of jobs created and retained by each rural growth fund which is to be included in the report submitted to DCED by March 1 of each year and further states that the report shall include the name and location of each business receiving a rural growth investment.

The amount of credit-eligible capital contributions is increased from \$4 million to \$60 million and the bill changes the calculation of the amount of tax credits awarded to a business firm from 90% of the contribution to the total amount of the contribution (100%). The cap on the total amount of tax credits awarded in any fiscal year is increased from \$1 million to \$12 million. The amount of tax credit certificates that DCED may award in the aggregate is increased from not more than \$4 million to not more than \$60 million.

On or after the seventh anniversary of the closing date, a rural growth fund shall calculate the state repayment amount in its application for exit. If the product is greater than the fund's credit-eligible capital contributions, the state repayment amount shall be zero. If a state repayment amount is owed, the fund is not permitted to make distributions or payments in excess of the investment authority until the state repayment amount is made to DCED. All amounts paid back shall be credited to the General Fund.

The act shall take effect in 60 days.

FISCAL IMPACT: To the extent that the increased amount of tax credits is fully utilized, enactment of this legislation will result in the loss of General Fund revenues of up to \$11 million in fiscal year 2019-20 and a total of \$56 million in the aggregate for the tax credit program.

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House Appropriations Committee (R)

DATE: June 10, 2019

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.