

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7746**

**BILL NUMBER: SB 367**

**NOTE PREPARED: Jan 24, 2005**

**BILL AMENDED:**

**SUBJECT:** Venture Capital Investment Tax Credit.

**FIRST AUTHOR:** Sen. Kenley

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** The bill increases the total amount of Venture Capital Investment Tax Credits that may be allowed in a calendar year from \$10,000,000 to \$15,000,000.

**Effective Date:** January 1, 2005 (retroactive).

**Explanation of State Expenditures:**

**Explanation of State Revenues:** *Summary:* The bill would allow for an additional \$5.0 M in credits under the Venture Capital Investment Tax Credit to be certified during tax years 2005, 2006, 2007, and 2008. This could potentially increase the annual fiscal impact of the credit from \$10 M to \$15 M beginning in FY 2006.

*Background:* The Venture Capital Investment Tax Credit is a nonrefundable tax credit equal to the lesser of: (1) 20% of qualified investment capital (debt or equity capital) provided to a qualified Indiana business during a calendar year; or (2) \$500,000. The tax credit is allowed for venture capital investment made from January 1, 2004 to December 31, 2008. Under current law, a taxpayer may claim the credit against the State Gross Retail and Use Tax, Adjusted Gross Income (AGI) Tax, Financial Institutions Tax, or Insurance Premiums Tax liability. While the tax credit is nonrefundable, it may be carried forward to subsequent years. No carryback of the tax credit is allowed. Current statute sets an annual limit equal to \$10 M on the total new credits certified by the Indiana Department of Commerce (IDOC) for venture capital provided during the taxable year. (Note: Under current statute, the IDOC is abolished on July 1, 2005, and all economic development functions are to be transferred to the Indiana Economic Development Corporation.) Carryover credits claimed in a taxable year are not counted toward the \$10 M annual maximum.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Commerce; Indiana Economic Development Corporation.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Jim Landers, 317-232-9869.