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FISCAL IMPACT REPORT

SPONSOR:	Maes	DATE TYPED:	01/24/00	HB	
SHORT TITLE:	Technology Startup Tax Credit Act			SB	42
				ANALYST:	Williams

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	FY01	FY00	FY01		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent	Recurring	Fund
FY00	FY01	Years Impact	or Non-Rec	Affected
	\$ (1,200.0)	\$ (1,300.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to SB25, SB28, SB43, HB52

SOURCES OF INFORMATION

Taxation and Revenue Department

Economic Development Department

SUMMARY

Synopsis of Bill

Endorsed by Economic and Rural Development and Telecommunications Committee. Authorizes a tax credit for startup technology businesses for gross receipts, compensating and withholding taxes for up to five years. A firm must meet the following qualifications to receive the tax credit: 1) Qualified expenditures are at least 20% of total revenue on research and development; 2) have less than 50 full time equivalent employees and 3) have annual revenues of \$10 million or less. Expenditures made as a part of an industrial revenue bond project or those eligible for other tax incentives are excluded from the credit. The effective date would be July 1, 2000.

Significant Issues

Economic Development Department notes this credit would be a significant tool to recruit and/or encourage the startup of high technology businesses providing high-wage jobs.

Taxation and Revenue Department comments that small research and development firms pay relatively little gross receipts tax and this legislation may have "little effect" on location or hiring decisions; however, TRD notes many neighboring states have similar tax incentives and/or exempt services from sales and use tax. The credit could be used by both existing and new businesses.

FISCAL IMPLICATIONS

Recurring revenue loss to the General Fund is estimated at \$1,200 thousand in FY01 and \$1,300 thousand for a full year by TRD.

ADMINISTRATIVE IMPLICATIONS

None noted by either agency.

AW/njw