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## FISCAL IMPACT REPORT



SPONSOR: Mohorovic DATE TYPED: 02/05/02 HB 358

SHORT TITLE: Nanotechnology Industry Incentive Act SB \_\_\_\_\_

ANALYST: Gilbert

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	\$ (0.1) * See Narrative	\$ (0.1) * See Narrative	Recurring	General Fund
	\$ (0.1) * See Narrative	\$ 0.1 * See Narrative	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

#### SOURCES OF INFORMATION

LFC Files

#### Response Received

Economic Development Department (EDD)

#### No Response

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

House Bill 358 provides a tax credit for nanotechnology businesses in an amount equal to their gross receipts taxes, compensating taxes or withholding taxes due to the State. A qualified business is one that has made relevant research expenditures of at least 20% of its total revenue for a period of 59 consecutive months.

Tax credits may be claimed for a period of 59 consecutive months, after the first calendar month in which an organization is approved by the Taxation and Revenue Department (TRD) for such credit. Tax credit cease after 59 consecutive months or the organization employs more than 200 full-time employees and/or has total revenues in excess of \$25 million.

Property for which the taxpayer receives any credit pursuant to the Capital Equipment Tax Credit Act, the Investment Credit Act and the Technology Jobs Tax Act is not allowed as a qualified expenditure. Property that is owned by a municipality or county in connection with an IRB does not qualify for the tax credit.

Significant Issues

Nanotechnology is a relatively new technology, which exploits the existing microelectronics infrastructure to create complex micron sized machines. According to the Economic Development Department (EDD), the total estimated market for intelligent micro-machine based systems is estimated to be \$100.0 billion per year.

Nanotechnology is defined as products, materials and services based on feature sizes of one hundred microns or less. Nanotechnology products consist of integrated systems that have the ability to sense their environment, calculate, appropriate responses, take electronic or mechanical action, and communicate with other nanotechnology products and power themselves.

**FISCAL IMPLICATIONS**

This bill would result in immediate-term loss in revenue to the general fund. In the long-term however, nanotechnology companies can be expected to grow and provide higher paying jobs. Therefore, according to EDD, investments and tax revenue will likely outstrip the initial tax concessions.

TRD did not provide an estimate of FY03 or subsequent year fiscal impact.

**ADMINISTRATIVE IMPLICATIONS**

TRD is responsible for administering the Nanotechnology Industry Incentive Act pursuant to the Tax Administration Act.

RLG/ar