



Legislative Council Staff

Research Note

Version: Final

Date: 6/7/2017

Bill Number

House Bill 17-1090

Sponsors

Representatives Kraft-Tharp & Wilson
Senators Gardner & Kefalas

Short Title

Advanced Industry Investment Tax Credit Extension

Research Analyst

Luisa Altmann (x3518)

Status

This research note reflects the final version of the bill, which becomes effective on August 9, 2017, assuming no referendum petition is filed.

Background

The Advanced Industry Investment Tax Credit Program within the Office of Economic Development and International Trade (OEDIT) was created by House Bill 14-1012, and was launched on July 1, 2014. The program allows qualified investors to receive tax credits when making qualified investments into qualified small businesses in one of seven advanced industries that meet certain criteria.

Qualified investments. A qualified investment is defined as an investment in an equity security that meets all of the following requirements:

- the equity security is common stock, preferred stock, an interest in a partnership or limited liability company, a security that is convertible into an equity security, a convertible debt investment, or other equity security as determined by OEDIT;
- the investment is at least \$10,000;
- the qualified investor and its affiliates do not hold, of record or beneficially, immediately before making an investment, equity securities possessing more than 30 percent of the total voting power of all equity securities of the qualified small business; and
- the qualified investor and its affiliates hold, of record or beneficially, immediately after making the investment, equity securities possessing less than 50 percent of the total voting power of all equity securities of the qualified small business.

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Qualified investor. A qualified investor is defined as an individual, limited liability company, partnership, S corporation, or other business entity that makes a qualified investment in a qualified small business.

Qualified small business. A qualified small business is one that is:

- in an advanced industry;
- has its headquarters located in Colorado or has at least 50 percent of its employees based in Colorado;
- has received less than \$10 million from third-party investors, not including grants, since the business was formed;
- has annual revenues of less than \$5 million; and
- has been actively operating and generating revenue for less than five years.

Advanced industries. The seven advanced industries included in the tax credit program include: advanced manufacturing, aerospace, bioscience, electronics, energy and natural resources, infrastructure engineering, and information technology.

According to OEDIT, between July 1, 2014, and December 31, 2016, OEDIT has issued 126 tax credits to 111 different investors who received tax credits worth \$1,875,000 and made investments worth \$9.7 million to 44 different companies under the program.

House Action

House Business Affairs and Labor Committee (February 7, 2017). At the hearing, representatives from the Colorado BioScience Association, OEDIT, Carbon Cycle Energy, Securisyn Medical, dBMEDx, and the Colorado Competitive Council testified in support of the bill. The committee referred the bill, unamended, to the House Finance Committee.

House Finance Committee (March 1, 2017). At the hearing, representatives from the Colorado Bioscience Association, Colorado Cleantech Industries Association, Colorado Competitive Council, Securisyn Medical, Jefferson County Economic Development Corporation, and OEDIT, testified in support of the bill. One private citizen testified in opposition to the bill. The committee referred the bill, unamended, to the House Appropriations Committee.

House Appropriations Committee (May 2, 2017). The committee adopted amendments L.001 and J.001, and referred the bill, as amended, to the House Committee of the Whole. Amendment L.001 adjusted the fiscal impact of the bill to decrease the total amount of tax credits available in 2018 from \$1.5 million to \$750,000. Amendment J.001 added an appropriations clause to the bill.

House second reading (May 2, 2017). The House adopted the House Appropriations Committee report and passed the bill, as amended, on second reading.

House third reading (May 3, 2017). The House passed the bill on third reading with no amendments.

Senate Action

Senate Finance Committee (May 5, 2017). At the hearing, representatives from the Colorado BioScience Association, Securisyn Medical, and the Colorado Aviation Business Association testified in support of the bill. A representative from OEDIT responded to questions from the committee. The committee adopted amendment L.002, and referred the bill, as amended, to the Senate Appropriations Committee.

Amendment L.002 adjusted the fiscal impact of the bill to decrease the total amount of tax credits available in 2019 through 2022 from \$1.5 million to \$750,000.

Senate Appropriations Committee (May 9, 2017). The committee referred the bill, unamended, to the Senate Committee of the Whole.

Senate second reading (May 9, 2017). The Senate adopted the Senate Finance Committee report and passed the bill, as amended, on second reading.

Senate third reading (May 10, 2017). The Senate passed the bill on third reading with no amendments.