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# KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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February 12, 2007

**To:** Senate Committee on Commerce  
**From:** Kathie Sparks, Principal Analyst  
**Re:** SB 314–Kansas Angel Investor Tax Credit Act

SB 314 would make the following amendments to the Kansas Angel Investor Tax Credit Act:

- Amends the definition of angel investor to mean an accredited individual investor or an owner of a permitted entity investor. Under current law, the definition of an Angel investor is an accredited individual investor.
- Adds the definition of “Bioscience business.”
- Adds the definition of “owner” to mean any natural person who is, directly or indirectly, a partner, stockholder, or member in a permitted entity investor;
- Adds the definition of “permitted entity investor” to mean: (A) any general partnership, limited partnership, corporation that has in effect a valid election to be taxed as an S corporation under the United States internal revenue code, or a limited liability company that has elected to be taxed as a partnership under the United States internal revenue code and (B) that was established and is operated for the sole purpose of making investments in other entities.
- Adds new language that would allow the credit for a business investor to be claimed by the owners of the business in proportion to their ownership share.
- Amends the amount of allowable tax credits by:
  - deleting the \$20,000,000 cumulative aggregate amount under the Act; and
  - increasing the \$2.0 million tax credit to \$8.0 million per tax year until 2016.
- Amends the transfer of the tax credits to require that the investor not owe any Kansas Income Tax for the immediate past three years, and who does not reasonably believe that taxes will be owed in the current year. Under current law, the investor could transfer the credit when he or she did not owe any Kansas Income Tax.
- Amends the transfer of credits to any person, whether or not such person is an investor. Under current law, the transfer of credits is only allowed to an investor.

- Amends the Act to require that a Bioscience business could only be in operation for less than ten years and all other businesses must have been in operation for less than five years. Under current law, all businesses to qualify for the tax credits must have been in operation for less than five years.
- Amends the Act by adding a condition that when all else is equal, first consideration would be given to animal health companies. Under current law, no consideration is listed.
- Adds the exemption that any business would not qualify for the tax credit if the major focus of the business is to purchase real estate, land, or fixtures.
- Removes the requirement that KTEC consider the ability of investors to receive tax credits for cash investments in qualified securities of the business is necessary, because funding otherwise available for the business is not available on commercially reasonable terms.