

MINNESOTA • REVENUE

CORPORATE FRANCHISE TAX INDIVIDUAL INCOME TAX Regional Investment Credit

April 7, 2004

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 1879 (Sams) As Amended March 23, 2004

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
General Fund	\$0	(\$5,000)	\$0	\$0

Effective for tax years beginning after December 31, 2003

EXPLANATION OF THE BILL

A nonrefundable credit against the corporate franchise tax or individual income tax would be allowed for investment in a regional angel investment network (RAIN) fund. Up to ten RAIN funds could be certified by the Commissioner of Employment and Economic Development. Each fund would make equity investments in emerging companies located in communities in Minnesota outside the seven-county metropolitan area. Tax credits of up to \$500,000 could be authorized for the investments in each of the ten funds.

The credit is equal to 50% of the taxpayer's investment in a RAIN fund made during the taxable year. The credit can be used to offset the total tax under Chapter 290, including regular tax, alternative minimum tax, and minimum fee. Unused credits could be carried over for up to fifteen years.

REVENUE ANALYSIS DETAIL

- The Commissioner of Employment and Economic Development can issue up to \$5 million of certificates. The revenue loss is limited by the total dollar value of certificates that may be issued.

Number of Taxpayer Affected: Unknown

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy