

FISCAL NOTE
Requested by Legislative Council
01/26/2015

Bill/Resolution No.: SB 2362

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2013-2015 Biennium | | 2015-2017 Biennium | | 2017-2019 Biennium | |
|----------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | | | | |
| Expenditures | | | | | | |
| Appropriations | | | | | | |

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| | 2013-2015 Biennium | 2015-2017 Biennium | 2017-2019 Biennium |
|------------------|--------------------|--------------------|--------------------|
| Counties | | | |
| Cities | | | |
| School Districts | | | |
| Townships | | | |

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2362 extends the time allowed for investing in an angel fund and qualifying for the income tax credit.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

SB 2362 proposes to change the angel fund investment tax credit law to allow an investor to choose to treat an investment as being made in a tax year if it is made by the due date, without extension, of the income tax return filed for that tax year. For example, an individual who is calendar year filer may choose to treat an investment as having been made in the 2015 tax year if it is filed during the period January 1, 2016, through April 15, 2016.

This change may cause a timing difference during the 2015-17 biennium in that an investment made during the period January 1 through April 15 may be claimed on the prior year's tax return, or the current year's tax return. The overall net tax liability and fiscal impact of the tax credit will not change; only the timing of the realization of the tax credit will potentially change.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 01/30/2015

2015 SENATE FINANCE AND TAXATION

SB 2362

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB 2362
2/2/2015
Recording job number 22948

- Subcommittee
 Conference Committee

Committee Clerk Signature

Doris E. Peitz

Explanation or reason for introduction of bill/resolution:

Relating to extending the time for remitting funds to an angel fund to qualify for an income tax credit for the taxable year; and to provide an effective date.

Minutes:

Attachment #1,

Senator Jonathan Casper District 27 South Fargo introduced this bill at the request of some constituents and businessmen in the Fargo community. See attachment #1

John Cook, Vice President, Proof Artisan Distillers, Facilitator Springfield Group Angel Fund Fargo, in support of this bill, I have been involved with several start-ups. The Angel Fund Program has been a great opportunity to keep money within the state and allow some investments that otherwise would be risky. We have taken some of the wealth that came from the Ag industry and placed it in an opportunity to diversify the economy. From an operational stand point for the investors that I work with, this bill allows them to get credits in the previous tax years (2:20- 4:59)

Terri Zimmerman, CEO, PacketDigital, Fargo, developers of computer chips that reduce power consumption and extend battery life. (She told the committee about her work experience and background). Raising money for small businesses when you don't have the backing of large family investors is very challenging. We have benefitted immensely from the Angel Fund tax legislation. The Angel Fund Tax Credit has encouraged investors to take risks. We have raised over \$11M in capital to build these chips, of that money about 35% came thru angel funds. In this last year 45% of investor dollars came thru an angel fund. This program reduces the risks by giving investors a tax credit. Also it is creating opportunities inside of North Dakota to create a more diverse economy, to create companies that can go on to create more jobs, a multiplier effect in the economy. Basically the April 15 extension would make a great benefit even better. Many people that are interested in investing don't always get the time to finish all of their tax planning by the deadline of December 31st. I ask you to consider improving the benefit of the tax credit by extending it to April 15. (5:17 -9:19)

Jared Hardy co-founder Fargo Brewing Company, in favor of this bill. One of the big issues for us, if this bill gets approved, we would like it to include the 2014 tax year. We are

looking into investing about half a million dollars in equipment and are looking at angel fund as a major source of that. (9:32 -10:31)

Brian Osowski, representing Legendary Investments, a certified Angel Fund thru the state of North Dakota, President AMKO Advisors, a municipal financial advising firm, we started the angel fund to work with communities thus allowing them access to capital. We reach out to local investors. Now we are working in the city of Cavalier to raise capital for a meat packing plant. We favor an amendment, extending the date to April 15th to include 2014. (10:40-13:10)

Senator Cook I am not sure when this bill would become effective to cover 2014.

Chairman Oehlke are our neighboring states doing this?

Brian Osowski I don't know

No additional testimony in favor, opposition or neutral. Senator Cook closed the hearing.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2362
2/3/2015
Job #23112

- Subcommittee
 Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Minutes:

Chairman Cook opened the committee work on SB2362
Dee, please come to the table.

SB2362, for angel funds, it gives taxpayers the opportunity to make their investment into an angel fund up to April 15 the following year. Dee, do you want to speak, at all, to any administrative work or changes that would require any burden, if there is any, on the tax department?

Dee Wald -- Again, the administration of this as far who took how much amount for that tax year does cause us some concern. We want to make sure that they are not double dipping on the same investment. We would have to create another schedule for the taxpayer to fill out. Until that return is filed we won't know if that taxpayer is actually pulling back or bringing forward an investment. We've talked about this and it's not going to be all that easy. There is no other tax credit that allows this.

Chairman Cook -- We know that, but if we do this there will be a lot of "me too's" next session. Committee, do you want to take care of 2362?

Senator Oehlke made a do not pass recommendation.

Senator Triplett seconded.

There was no discussion.

Roll call vote: 7-0-0

Carrier: Senator Laffen

Date: 2-3-15

Roll Call Vote #: 1

**2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO 2362**

Senate Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Sen. Oehlke Seconded By Sen. Triplett

| Senators | Yes | No | Senators | Yes | No |
|-----------------------------|-----|----|-------------------------|-----|----|
| Chairman Dwight Cook | ✓ | | Senator Jim Dotzenrod | ✓ | |
| Vice Chairman Lonnie Laffen | ✓ | | Senator Connie Triplett | ✓ | |
| Senator Brad Bekkedahl | ✓ | | | | |
| Senator Dave Oehlke | ✓ | | | | |
| Senator Jessica Unruh | ✓ | | | | |
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| | | | | | |
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Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. Laffen

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2362: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO NOT PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2362 was placed on the Eleventh order on the calendar.

2015 TESTIMONY

SB 2362

#1
2-2-15

TO: Senate Finance and Taxation Committee
FROM: Sen. Casper
DATE: 02/02/2015
RE: SB 2362

TESTIMONY

1. ISSUE

- a. Angel fund investment tax credit can only be made and claimed in a single tax year.

2. CURRENT LAW

- a. Under current law, to receive a tax credit for an angel fund investment, the investor must make the investment in the year in which they seek to claim the credit.

3. SB 2362 CHANGE IN LAW

- a. Under SB 2362, an investor could make an investment prior to April 15th of the following year and receive a tax credit for the investment against the prior year.
- b. For example, on April 1st of 2015, an investor could decide to make an investment in an angel fund, and the credit would count against their 2014 taxes.