

Superseded 5/12/2015

59-10-1025 Nonrefundable tax credit for investment in certain life science establishments.

(1) As used in this section:

- (a) "Commercial domicile" means the principal place from which the trade or business of a Utah small business corporation is directed or managed.
- (b) "Eligible claimant, estate, or trust" is as defined in Section 63M-1-2902.
- (c) "Life science establishment" means an establishment described in one of the following NAICS codes of the 2007 North American Industry Classification System of the federal Executive Office of the President, Office of Management and Budget:
 - (i) NAICS Code 33911, Medical Equipment and Supplies Manufacturing;
 - (ii) NAICS Code 334510, Electromedical and Electrotherapeutic Apparatus Manufacturing; or
 - (iii) NAICS Code 334517, Irradiation Apparatus Manufacturing.
- (d) "Office" means the Governor's Office of Economic Development.
- (e) "Pass-through entity" is as defined in Section 59-10-1402.
- (f) "Pass-through entity taxpayer" is as defined in Section 59-10-1402.
- (g) "Qualifying ownership interest" means an ownership interest that is:
 - (i)
 - (A) common stock;
 - (B) preferred stock; or
 - (C) an ownership interest in a pass-through entity;
 - (ii) originally issued to:
 - (A) an eligible claimant, estate, or trust; or
 - (B) a pass-through entity if the eligible claimant, estate, or trust that claims a tax credit under this section was a pass-through entity taxpayer of the pass-through entity on the day on which the qualifying ownership interest was issued and remains a pass-through entity taxpayer of the pass-through entity until the last day of the taxable year for which the eligible claimant, estate, or trust claims a tax credit under this section; and
 - (iii) issued:
 - (A) by a Utah small business corporation;
 - (B) on or after January 1, 2011; and
 - (C) for money or other property, except for stock or securities.
- (h)
 - (i) Except as provided in Subsection (1)(h)(ii), "Utah small business corporation" is as defined in Section 59-10-1022.
 - (ii) For purposes of this section, a corporation under Section 1244(c)(3)(A), Internal Revenue Code, is considered to include a pass-through entity.

(2) Subject to the other provisions of this section, for a taxable year beginning on or after January 1, 2011, an eligible claimant, estate, or trust that holds a tax credit certificate issued to the eligible claimant, estate, or trust in accordance with Section 63M-1-2908 for that taxable year may claim a nonrefundable tax credit in an amount up to 35% of the purchase price of a qualifying ownership interest in a Utah small business corporation by the claimant, estate, or trust if:

- (a) the qualifying ownership interest is issued by a Utah small business corporation that is a life science establishment;
- (b) the qualifying ownership interest in the Utah small business corporation is purchased for at least \$25,000;

- (c) the eligible claimant, estate, or trust owned less than 30% of the qualifying ownership interest of the Utah small business corporation at the time of the purchase of the qualifying ownership interest; and
 - (d) on each day of the taxable year of the purchase of the qualifying ownership interest, the Utah small business corporation described in Subsection (2)(a) has at least 50% of its employees in the state.
- (3) Subject to Subsection (4), the tax credit under Subsection (2):
- (a) may only be claimed by the eligible claimant, estate, or trust:
 - (i) for a taxable year for which the eligible claimant, estate, or trust holds a tax credit certificate issued in accordance with Section 63M-1-2908; and
 - (ii) subject to obtaining a tax credit certificate for each taxable year as required by Subsection (3)(a)(i), for a period of three taxable years as follows:
 - (A) the tax credit in the taxable year of the purchase of the qualifying ownership interest may not exceed 10% of the purchase price of the qualifying ownership interest;
 - (B) the tax credit in the taxable year after the taxable year described in Subsection (3)(a)(ii)(A) may not exceed 10% of the purchase price of the qualifying ownership interest; and
 - (C) the tax credit in the taxable year two years after the taxable year described in Subsection (3)(a)(ii)(A) may not exceed 15% of the purchase price of the qualifying ownership interest; and
 - (b) may not exceed the lesser of:
 - (i) the amount listed on the tax credit certificate issued in accordance with Section 63M-1-2908; or
 - (ii) \$350,000 in a taxable year.
- (4) An eligible claimant, estate, or trust may not claim a tax credit under this section for a taxable year if the eligible claimant, estate, or trust:
- (a) has sold any of the qualifying ownership interest during the taxable year; or
 - (b) does not hold a tax credit certificate for that taxable year that is issued to the eligible claimant, estate, or trust by the office in accordance with Section 63M-1-2908.
- (5) If a Utah small business corporation in which an eligible claimant, estate, or trust purchases a qualifying ownership interest fails, dissolves, or otherwise goes out of business, the eligible claimant, estate, or trust may not claim both the tax credit provided in this section and a capital loss on the qualifying ownership interest.
- (6) If an eligible claimant is a pass-through entity taxpayer that files a return under Chapter 7, Corporate Franchise and Income Taxes, the eligible claimant may claim the tax credit under this section on the return filed under Chapter 7, Corporate Franchise and Income Taxes.
- (7) A claimant, estate, or trust may not carry forward or carry back a tax credit under this section.