

Representative David Clark proposes the following substitute bill:

**TECHNOLOGY AND LIFE SCIENCE ECONOMIC
DEVELOPMENT ACT AND RELATED TAX CREDITS**

2011 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: David Clark

Senate Sponsor: Curtis S. Bramble

LONG TITLE

General Description:

This bill enacts the Technology and Life Science Economic Development Act and provides for tax credits related to certain technology and life science companies.

Highlighted Provisions:

This bill:

- ▶ amends a nonrefundable income tax credit related to certain capital gain transactions;
- ▶ enacts a nonrefundable income tax credit related to the purchase of an ownership interest in certain business entities;
- ▶ enacts refundable tax credits for certain business entities that generate an increase in state revenues;
- ▶ enacts the Technology and Life Science Economic Development Act, including:
 - defining terms;
 - granting rulemaking authority;
 - authorizing the Governor's Office of Economic Development to enter into an agreement with an eligible business entity that will generate increased state tax revenues within the state; and



- 26 • establishing procedures to certify a tax credit;
- 27 ▸ requires a report to and a study by the Workforce Services and Community and
- 28 Economic Development Interim Committee and the Revenue and Taxation Interim
- 29 Committee; and
- 30 ▸ makes technical and conforming changes.

31 **Money Appropriated in this Bill:**

32 None

33 **Other Special Clauses:**

34 This bill provides for effective dates.

35 **Utah Code Sections Affected:**

36 AMENDS:

37 **59-10-1022**, as enacted by Laws of Utah 2008, Chapter 389

38 ENACTS:

- 39 **59-7-614.6**, Utah Code Annotated 1953
- 40 **59-10-1025**, Utah Code Annotated 1953
- 41 **59-10-1109**, Utah Code Annotated 1953
- 42 **63M-1-2901**, Utah Code Annotated 1953
- 43 **63M-1-2902**, Utah Code Annotated 1953
- 44 **63M-1-2903**, Utah Code Annotated 1953
- 45 **63M-1-2904**, Utah Code Annotated 1953
- 46 **63M-1-2905**, Utah Code Annotated 1953
- 47 **63M-1-2906**, Utah Code Annotated 1953



49 *Be it enacted by the Legislature of the state of Utah:*

50 Section 1. Section **59-7-614.6** is enacted to read:

51 **59-7-614.6. Refundable tax credit for certain business entities generating state**
52 **revenue increases.**

53 (1) As used in this section:

54 (a) "Eligible business entity" means a corporation that is an eligible business entity as
55 defined in Section 63M-1-2902.

56 (b) "Eligible new state tax revenues" is as defined in Section 63M-1-2902.

- 57 (c) "Office" means the Governor's Office of Economic Development.
 - 58 (d) "Pass-through entity" is as defined in Section 59-10-1402.
 - 59 (e) "Pass-through entity taxpayer" is as defined in Section 59-10-1402.
 - 60 (2) Subject to the other provisions of this section, an eligible business entity may:
 - 61 (a) claim a refundable tax credit equal to the amount of eligible new state tax revenues
 - 62 generated by the eligible business entity; or
 - 63 (b) if the eligible business entity is a pass-through entity, pass through to one or more
 - 64 pass-through entity taxpayers, in accordance with Chapter 10, Part 14, Pass-Through Entities
 - 65 and Pass-Through Entity Taxpayers Act, a refundable tax credit that the eligible business entity
 - 66 could otherwise claim under this section.
 - 67 (3) The tax credit for an eligible business entity is the amount listed as the amount of
 - 68 eligible new state tax revenues generated by the eligible business entity on the tax credit
 - 69 certificate that the office issues to the eligible business entity for a taxable year.
 - 70 (4) An eligible business entity:
 - 71 (a) may claim or pass through a tax credit under this section for:
 - 72 (i) the taxable year in which the eligible business entity first generates eligible new
 - 73 state tax revenues; and
 - 74 (ii) two taxable years immediately following the year described in Subsection (4)(a)(i);
 - 75 and
 - 76 (b) may not carry forward or carry back a tax credit under this section.
- 77 Section 2. Section **59-10-1022** is amended to read:
- 78 **59-10-1022. Nonrefundable tax credit for capital gain transactions.**
- 79 (1) As used in this section:
 - 80 (a) (i) "Capital gain transaction" means a transaction that results in a:
 - 81 (A) short-term capital gain; or
 - 82 (B) long-term capital gain.
 - 83 (ii) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
 - 84 commission may by rule define the term "transaction."
 - 85 (b) "Commercial domicile" means the principal place from which the trade or business
 - 86 of a Utah small business corporation is directed or managed.
 - 87 (c) "Long-term capital gain" is as defined in Section 1222, Internal Revenue Code.

88 (d) "Pass-through entity" and "pass-through entity taxpayer" are as defined in Section
89 59-10-1402.

90 ~~[(d)]~~ (e) "Qualifying [stock] ownership interest" means ~~[stock that is]~~ an ownership
91 interest that is:

92 (i) (A) common stock; ~~[or]~~

93 (B) preferred stock; or

94 (C) an ownership interest in a pass-through entity;

95 (ii) ~~[as defined by the commission by rule made in accordance with Title 63G, Chapter~~
96 ~~3, Utah Administrative Rulemaking Act,]~~ originally issued to:

97 (A) a claimant, estate, or trust; or

98 (B) a ~~[partnership]~~ pass-through entity if the claimant, estate, or trust that claims a tax
99 credit under this section~~[-(f)]~~ was a ~~[partner]~~ pass-through entity taxpayer on the day on which
100 the ~~[stock]~~ qualifying ownership interest was issued[;] and ~~[(H)]~~ remains a ~~[partner]~~
101 pass-through entity taxpayer until the last day of the taxable year for which the claimant, estate,
102 or trust claims a tax credit under this section; and

103 (iii) issued:

104 (A) by a Utah small business corporation;

105 (B) on or after January 1, 2008; and

106 (C) for~~[-(f)]~~ money[;] or ~~[(H)]~~ other property, except for stock or securities.

107 ~~[(e)]~~ (f) "Short-term capital gain" is as defined in Section 1222, Internal Revenue Code.

108 ~~[(f)]~~ (g) (i) "Utah small business corporation" means a corporation that:

109 (A) except as provided in Subsection (1)~~[(f)]~~(g)(ii), is a small business corporation as
110 defined in Section 1244(c)(3), Internal Revenue Code;

111 (B) except as provided in Subsection (1)~~[(f)]~~(g)(iii), meets the requirements of Section
112 1244(c)(1)(C), Internal Revenue Code; and

113 (C) has its commercial domicile in this state.

114 (ii) For purposes of this section:

115 ~~[(i)]~~ ~~The~~ (A) the dollar amount listed in Section 1244(c)(3)(A), Internal Revenue
116 Code, is considered to be \$2,500,000[-]; and

117 (B) a corporation under Section 1244(c)(3)(A), Internal Revenue Code, is considered to
118 include a pass-through entity.

119 (iii) The phrase "the date the loss on such stock was sustained" in Sections
 120 1244(c)(1)(C) and 1244(c)(2), Internal Revenue Code, is considered to be "the last day of the
 121 taxable year for which the claimant, estate, or trust claims a tax credit under this section."

122 (2) ~~[For]~~ Subject to the other provisions of this section, for a taxable [years] year
 123 beginning on or after January 1, ~~[2008]~~ 2011, a claimant, estate, or trust that meets the
 124 requirements of Subsection (3) ~~or~~ ~~H→~~ [Subsection] ~~←H~~ (4) may claim a nonrefundable
 124a tax credit equal to
 125 the product of:

126 (a) the total amount of the claimant's, estate's, or trust's short-term capital gain or
 127 long-term capital gain on a capital gain transaction that occurs on or after January 1, ~~[2008]~~
 128 2011; and

129 (b) ~~[5%]~~ the tax rate imposed under Subsection 59-10-104(2)(b).

130 (3) ~~[For purposes of Subsection (2), a]~~ A claimant, estate, or trust may claim the
 131 nonrefundable tax credit allowed by Subsection (2) if:

132 (a) 70% or more of the gross proceeds of the capital gain transaction are expended:

133 (i) to purchase a qualifying ~~[stock]~~ ownership interest in a Utah small business
 134 corporation; and

135 (ii) within a 12-month period after the day on which the capital gain transaction occurs;
 136 and

137 (b) prior to the purchase of the qualifying ~~[stock]~~ ownership interest described in
 138 Subsection (3)(a)(i), the claimant, estate, or trust did not have an ownership interest in the Utah
 139 small business corporation that issued the qualifying ~~[stock]~~ ownership interest.

140 (4) A claimant, estate, or trust may claim the nonrefundable tax credit allowed by
 141 Subsection (2) if:

142 (a) the gross proceeds of the capital gain transaction result from the sale of a qualifying
 143 ownership interest:

144 (i) held for at least two taxable years before the sale of the qualifying ownership
 145 interest; and

146 (ii) in a Utah small business corporation described in one of the following NAICS
 147 codes of the 2007 North American Industry Classification System of the federal Executive
 148 Office of the President, Office of Management and Budget:

149 (A) NAICS Code 33911, Medical Equipment and Supplies Manufacturing;

150 (B) NAICS Code 334510, Electromedical and Electrotherapeutic Apparatus
151 Manufacturing; or
152 (C) NAICS Code 334517, Irradiation Apparatus Manufacturing; and
153 (b) on each day of the taxable year of the capital gain transaction, the Utah small
154 business corporation described in Subsection (4)(a) has at least 50% of its employees in the
155 state.

156 [~~4~~] (5) A claimant, estate, or trust may not carry forward or carry back a tax credit
157 under this section.

158 [~~5~~] (6) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking
159 Act, the commission may make rules:

- 160 (a) defining the term "gross proceeds"; and
- 161 (b) prescribing the circumstances under which a claimant, estate, or trust has an
162 ownership interest in a Utah small business corporation.

163 Section 3. Section **59-10-1025** is enacted to read:

164 **59-10-1025. Nonrefundable tax credit for investment in certain businesses.**

165 (1) As used in this section:

166 (a) "Commercial domicile" means the principal place from which the trade or business
167 of a Utah small business corporation is directed or managed.

168 (b) "Pass-through entity" and "pass-through entity taxpayer" are as defined in Section
169 59-10-1402.

170 (c) "Qualifying ownership interest" means an ownership interest that is:

171 (i) (A) common stock;

172 (B) preferred stock; or

173 (C) an ownership interest in a pass-through entity;

174 (ii) originally issued to:

175 (A) a claimant, estate, or trust; or

176 (B) a pass-through entity if the claimant, estate, or trust that claims a tax credit under
177 this section was a pass-through entity taxpayer on the day on which the stock was issued and
178 remains a pass-through entity taxpayer until the last day of the taxable year for which the
179 claimant, estate, or trust claims a tax credit under this section; and

180 (iii) issued:

- 181 (A) by a Utah small business corporation;
182 (B) on or after January 1, 2011; and
183 (C) for money or other property, except for stock or securities.
184 (d) (i) "Utah small business corporation" means a corporation that:
185 (A) except as provided in Subsection (1)(d)(ii), is a small business corporation as
186 defined in Section 1244(c)(3), Internal Revenue Code;
187 (B) except as provided in Subsection (1)(d)(iii), meets the requirements of Section
188 1244(c)(1)(C), Internal Revenue Code; and
189 (C) has its commercial domicile in this state.
190 (ii) For purposes of this section:
191 (A) the dollar amount listed in Section 1244(c)(3)(A), Internal Revenue Code, is
192 considered to be \$2,500,000; and
193 (B) a corporation under Section 1244(c)(3)(A), Internal Revenue Code, is considered to
194 include a pass-through entity.
195 (iii) The phrase "the date the loss on such stock was sustained" in Sections
196 1244(c)(1)(C) and 1244(c)(2), Internal Revenue Code, is considered to be "the last day of the
197 taxable year for which the claimant, estate, or trust claims a tax credit under this section."
198 (2) Subject to the other provisions of this section, for a taxable year beginning on or
199 after January 1, 2011, a claimant, estate, or trust may claim a nonrefundable tax credit in an
200 amount up to 35% of the purchase price of a qualifying ownership interest if:
201 (a) the qualifying ownership interest is issued by a Utah small business corporation
202 described in one of the following NAICS codes of the 2007 North American Industry
203 Classification System of the federal Executive Office of the President, Office of Management
204 and Budget:
205 (i) NAICS Code 33911, Medical Equipment and Supplies Manufacturing;
206 (ii) NAICS Code 334510, Electromedical and Electrotherapeutic Apparatus
207 Manufacturing; or
208 (iii) NAICS Code 334517, Irradiation Apparatus Manufacturing;
209 (b) the qualifying ownership interest in the Utah small business corporation is
210 purchased for at least \$25,000;
211 (c) the claimant, estate, or trust owned less than 30% of the qualifying ownership

212 interest of the Utah small business corporation at the time of the purchase of the qualifying
213 ownership interest; and

214 (d) on each day of the taxable year of the purchase of the qualifying ownership interest,
215 the Utah small business corporation described in Subsection (2)(a) has at least 50% of its
216 employees in the state.

217 (3) Except as provided in Subsection (4), the tax credit under Subsection (2) shall be
218 claimed during a period of three taxable years as follows:

219 (a) (i) the tax credit in the taxable year of the purchase of the qualifying ownership
220 interest may not exceed 10% of the purchase price of the qualifying ownership interest;

221 (ii) the tax credit in the taxable year after the taxable year described in Subsection
222 (3)(a)(i) may not exceed 10% of the purchase price of the qualifying ownership interest; and

223 (iii) the tax credit in the taxable year two years after the taxable year described in
224 Subsection (3)(a)(i) may not exceed 15% of the purchase price of the qualifying ownership
225 interest; and

226 (b) may not exceed \$350,000 in a taxable year.

227 (4) A claimant, estate, or trust may not claim a tax credit under this section for a
228 taxable year if the claimant, estate, or trust has sold any of the qualifying ownership interest
229 during the taxable year.

230 (5) If a Utah small business corporation from which a claimant, estate, or trust
231 purchases a qualifying ownership interest fails, dissolves, or otherwise goes out of business, the
232 claimant, estate, or trust may not claim both the tax credit provided in Subsection (2) and a
233 capital loss on the qualifying ownership interest.

234 (6) A claimant, estate, or trust may not carry forward or carry back a tax credit under
235 this section.

236 Section 4. Section **59-10-1109** is enacted to read:

237 **59-10-1109. Refundable tax credit for certain business entities generating state**
238 **revenue increases.**

239 (1) As used in this section:

240 (a) "Eligible business entity" means a claimant, estate, or trust that is an eligible
241 business entity as defined in Section 63M-1-2902.

242 (b) "Eligible new state tax revenues" is as defined in Section 63M-1-2902.

243 (c) "Office" means the Governor's Office of Economic Development.
244 (d) "Pass-through entity" is as defined in Section 59-10-1402.
245 (e) "Pass-through entity taxpayer" is as defined in Section 59-10-1402.
246 (2) Subject to the other provisions of this section, an eligible business entity may:
247 (a) claim a refundable tax credit equal to the amount of eligible new state tax revenues
248 generated by the eligible business entity; or
249 (b) if the eligible business entity is a pass-through entity, pass through to one or more
250 pass-through entity taxpayers, in accordance with Chapter 10, Part 14, Pass-Through Entities
251 and Pass-Through Entity Taxpayers Act, a refundable tax credit that the eligible business entity
252 could otherwise claim under this section.
253 (3) The tax credit is:
254 (a) for an eligible business entity, the amount listed as the amount of eligible new state
255 tax revenues generated by the eligible business entity on the tax credit certificate that the office
256 issues to the eligible business entity for the taxable year; or
257 (b) for a pass-through entity taxpayer, the amount of a tax credit that an eligible
258 business entity passes through to the pass-through entity taxpayer in accordance with
259 Subsection (2)(b).
260 (4) An eligible business entity:
261 (a) may claim or pass through a tax credit under this section for:
262 (i) the taxable year in which the eligible business entity first generates eligible new
263 state tax revenues; and
264 (ii) two taxable years following the year described in Subsection (4)(a)(i); and
265 (b) may not carry forward or carry back a tax credit under this section.
266 Section 5. Section **63M-1-2901** is enacted to read:
267 **Part 29. Technology and Life Science Economic Development Act**
268 **63M-1-2901. Title.**
269 This part is known as the "Technology and Life Science Economic Development Act."
270 Section 6. Section **63M-1-2902** is enacted to read:
271 **63M-1-2902. Definitions.**
272 As used in this part:
273 (1) "Eligible business entity" means a person that:

274 (a) enters into an agreement with the office to produce an eligible product or project in
275 Utah that will generate eligible new state tax revenues;

276 (b) is described in one of the following NAICS codes of the 2007 North American
277 Industry Classification System of the federal Executive Office of the President, Office of
278 Management and Budget:

279 (i) NAICS Code 33911, Medical Equipment and Supplies Manufacturing;

280 (ii) NAICS Code 334413, Semiconductor and Related Device Manufacturing;

281 (iii) NAICS Code 334510, Electromedical and Electrotherapeutic Apparatus

282 Manufacturing; or

283 (iv) NAICS Code 334517, Irradiation Apparatus Manufacturing; and

284 (c) has at least 50% of its employees in the state for each day of a taxable year the
285 eligible business entity claims a tax credit under Sections 59-7-614.6 or 59-10-1109.

286 (2) "Eligible business entity applicant" means a person that applies to the office to
287 become an eligible business entity.

288 (3) "Eligible new state tax revenues" means an increased amount of tax revenues
289 generated as a result of an eligible product or project by an eligible business entity or a new
290 incremental job within the state under the following:

291 (i) Title 59, Chapter 7, Corporate Franchise and Income Taxes;

292 (ii) Title 59, Chapter 10, Individual Income Tax Act; and

293 (iii) Title 59, Chapter 12, Sales and Use Tax Act.

294 (4) "Eligible product or project" means any product or project produced by an eligible
295 business entity that was not produced prior to the date of an agreement with the office under
296 Section 63M-1-2903:

297 (a) by the eligible business entity; and

298 (b) within the state.

299 (5) "New incremental job within the state" means an employment position at an
300 eligible business entity that:

301 (a) did not exist within the state before:

302 (i) the eligible business entity entered into an agreement with the office; and

303 (ii) the eligible product was produced or the eligible project began;

304 (b) is not shifted from one location in the state to another location in the state; and

305 (c) is established to the satisfaction of the office by amounts paid or withheld by the
 306 eligible business entity under Title 59, Chapter 10, Individual Income Tax Act.

307 (6) "Office" means the Governor's Office of Economic Development.

308 (7) "Tax credit" means a tax credit under:

309 (a) Section 59-7-614.6; or

310 (b) Section ~~H~~→ [59-1-1109] 59-10-1109 ←~~H~~ .

311 (8) "Tax credit certificate" means a certificate issued by the office that:

312 (a) lists the name of the eligible business entity to which the office authorizes a tax
 313 credit;

314 (b) lists the eligible business entity's taxpayer identification number;

315 (c) lists the amount of the eligible business entity's eligible new state tax revenues for
 316 the taxable year; and

317 (d) includes other information as determined by the office.

318 Section 7. Section **63M-1-2903** is enacted to read:

319 **63M-1-2903. Tax credit agreement.**

320 (1) (a) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act,
 321 the office shall make rules establishing the conditions that an eligible business entity applicant
 322 shall meet to qualify for a tax credit under this part.

323 (b) The office shall ensure that the conditions described in Subsection (1)(a) comply
 324 with the requirements of this part, including requiring the generation of eligible new state tax
 325 revenues.

326 (2) (a) Subject to the other provisions of this Subsection (2), the office, with advice
 327 from the board, may enter into an agreement authorizing a tax credit to an eligible business
 328 entity if an eligible business entity applicant meets the conditions established under Subsection

329 (1).

330 (b) The agreement required by this Subsection (2)(a) to qualify for a tax credit shall:

331 (i) detail the requirements that the eligible business entity shall meet to quantify the
 332 amount of eligible new state tax revenues;

333 (ii) require the eligible business entity to retain records supporting a claim for a tax
 334 credit for at least four years after the eligible business entity claims a tax credit under this part;

335 (iii) require the eligible business entity to submit to audits for verification of the tax

336 credit claimed, including audits by the office and by the State Tax Commission; ~~H~~→ [and] ←~~H~~

337 (iv) require the eligible business entity to provide tax return information to the office
 338 that is necessary for the office to determine the generation of eligible new state

338a tax revenues ~~H~~→ [:] ; and

338b (v) require the eligible business entity to sign a separate document that expressly directs
 338c and authorizes the State Tax Commission to disclose to the office the eligible business entity's
 338d tax returns and other information concerning the eligible business entity that:

338e (i) would otherwise be subject to confidentiality under Section 59-1-403 or Section 6103,
 338f Internal Revenue Code; and

338g (ii) are necessary for the office to determine the generation of eligible new state tax
 338h revenues. ←~~H~~

339 (3) The office may grant a tax credit certificate under this section to an eligible
 340 business entity:

341 (a) for the first taxable year in which the eligible business entity enters into an
 342 agreement with the office and generates eligible new state tax revenues; and

343 (b) the two taxable years immediately following the taxable year described in
 344 Subsection (3)(a).

345 Section 8. Section **63M-1-2904** is enacted to read:

346 **63M-1-2904. Procedure to certify tax credit.**

347 (1) The office shall certify an eligible business entity's eligibility for a tax credit as
 348 provided in this section.

349 (2) An eligible business entity applicant shall provide the office with:

350 (a) an application for a tax credit certificate, on a form and in the manner designated by
 351 the office; and

352 (b) documentation that the eligible business entity applicant has satisfied the conditions
 353 outlined in the agreement described in Section 63M-1-2903.

354 (3) If the office determines that the information is inadequate to provide a reasonable
 355 justification for authorizing a tax credit, the office shall:

356 (a) deny the tax credit; or

357 (b) inform the eligible business entity applicant that the information is inadequate and
 358 ask the eligible business entity applicant to submit new documentation.

359 (4) If the office determines that there is reasonable justification for authorizing a tax
 360 credit, the office shall, for each year the office grants a tax credit certificate:

361 (a) determine the amount of eligible new state tax revenues generated by the eligible
 362 business entity for the taxable year;

363 (b) issue a tax credit certificate to the eligible business entity that states the amount of
 364 eligible new state tax revenues for the taxable year; and

365 (c) provide a duplicate copy of the tax credit certificate to the State Tax Commission.

366 (5) An eligible business entity may not claim or pass through a tax credit unless the

367 eligible business entity has a tax credit certificate issued by the office.

368 (6) An eligible business entity that receives a tax credit certificate may claim or pass
 369 through a tax credit, as provided in Section 59-7-614.6 or 59-10-1109.

370 (7) Upon ~~H~~→ [request of] receipt of the document described in Subsection
 370a 63M-1-2903(2)(b)(v) from ~~H~~ the office, the State Tax Commission shall provide the office with
 371 ~~H~~→ [summary] the tax returns and other ~~H~~ information ~~H~~→ requested by the office that the
 371a eligible business entity directed or authorized the State Tax Commission to provide to the
 371b office, including information [regarding] necessary to determine the amount of ~~H~~ eligible
 371c new state tax revenues generated by an eligible
 372 business entity.

373 Section 9. Section **63M-1-2905** is enacted to read:

374 **63M-1-2905. Report to the Legislature -- Study by legislative committees.**

375 (1) The office shall annually report to the Legislature's Workforce Services and
 376 Community and Economic Development Interim Committee and Revenue and Taxation
 377 Interim Committee describing:

378 (a) the total amount listed as eligible new state tax revenues on tax credit certificates
 379 the office issues to eligible business entities;

380 (b) the criteria that the office uses in determining whether an eligible business entity
 381 generates eligible new state tax revenues; and

382 (c) the economic impact on the state related to providing tax credits under this part.

383 (2) (a) On or before November 1, 2016 ~~H~~→ , ~~H~~ and every five years after November 1,
 383a 2016,

384 the Legislature's Workforce Services and Community and Economic Development Interim
 385 Committee and Revenue and Taxation Interim Committee shall:

386 (i) study the tax credits allowed under Sections 59-7-614.6 and 59-10-1109; and

387 (ii) make recommendations concerning whether the tax credits should be continued,
 388 modified, or repealed.

389 (b) The study under Subsection (2)(a) shall include an evaluation of:

390 (i) the cost of the tax credits under Sections 59-7-614.6 ~~H~~→ [or] and ~~H~~ 59-10-1109;

391 (ii) the purposes and effectiveness of the tax credits; and

392 (iii) the extent to which the state benefits from the tax credits.

393 Section 10. Section **63M-1-2906** is enacted to read:

394 **63M-1-2906. Reports of tax credits.**

395 (1) Before December 1 of each year, the office shall submit a report to the Governor's
 396 Office of Planning and Budget, the Office of Legislative Fiscal Analyst, and the Division of
 397 Finance identifying:

398 (a) the total amount listed as eligible new state tax revenues on tax credit certificates
399 the office issues to eligible business entities; and

400 (b) the criteria that the office uses in determining whether an eligible business entity
401 generates eligible new state tax revenues.

402 (2) By the first business day of each month, the office shall submit a report to the
403 Governor's Office of Planning and Budget, the Office of Legislative Fiscal Analyst, and the
404 Division of Finance identifying:

405 (a) each new agreement entered into by the office since the last report;

406 (b) the total amount listed as eligible new state tax revenues on tax credit certificates
407 the office issues to eligible business entities; and

408 (c) the criteria that the office uses in determining whether an eligible business entity
409 generates eligible new state tax revenues.

410 **Section 11. Effective date -- Retrospective operation.**

411 (1) Except as provided in Subsection (2), this bill takes effect on July 1, 2011.

412 (2) The amendments to and enactments of the following sections have retrospective
413 operation for a taxable year beginning on or after January 1, 2011:

414 (a) Section 59-7-614.6;

415 (b) Section 59-10-1022;

416 (c) Section 59-10-1025; and

417 (d) Section 59-10-1109.

FISCAL NOTE

H.B. 496 1st Sub. (Buff)

SHORT TITLE: Technology and Life Science Economic Development Act and Related Tax Credits

SPONSOR: Clark, D.

2011 GENERAL SESSION, STATE OF UTAH

STATE GOVERNMENT (UCA 36-12-13(2)(b))

Enactment of this bill could result in a \$5,200,000 loss Education Fund revenue beginning in FY 2011. There is the possibility of foregone revenue between \$1,000,000 and \$3,000,000. It would cost the Governor's Office of Economic Development \$162,000 annually to implement the provisions of the bill. The one-time start up costs for FY 2011 would be \$40,500.

STATE BUDGET DETAIL TABLE

	FY 2011	FY 2012	FY 2013
Revenue:			
Education Fund	(\$5,200,000)	(\$5,200,000)	(\$5,200,000)
Total Revenue	(\$5,200,000)	(\$5,200,000)	(\$5,200,000)
Expenditure:			
General Fund	\$0	\$162,000	\$162,000
General Fund, One-Time	\$40,500	\$0	\$0
Total Expenditure	\$40,500	\$162,000	\$162,000
Net Impact, All Funds (Rev.-Exp.)	(\$5,240,500)	(\$5,362,000)	(\$5,362,000)
Net Impact, General/Education Funds	(\$5,240,500)	(\$5,362,000)	(\$5,362,000)

LOCAL GOVERNMENTS (UCA 36-12-13(2)(c))

Enactment of this bill likely will not result in direct, measurable costs for local governments.

DIRECT EXPENDITURES BY UTAH RESIDENTS AND BUSINESSES (UCA 36-12-13(2)(d))

Certain businesses could receive tax credits up to \$350,000 annually.

