

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;

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: