

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas  
2 83rd General Assembly  
3 Regular Session, 2001  
4

As Engrossed: S3/21/01 H3/30/01

# A Bill

Act 1584 of 2001  
SENATE BILL 906

5 By: Senator Riggs  
6  
7

## For An Act To Be Entitled

9 AN ACT TO PROVIDE THAT A NET CAPITAL GAIN FROM A  
10 VENTURE CAPITAL INVESTMENT SHALL BE EXEMPT FROM  
11 THE INCOME TAX ACT OF 1929; AND FOR OTHER  
12 PURPOSES.  
13

### Subtitle

15 TO PROVIDE THAT A NET CAPITAL GAIN FROM  
16 A VENTURE CAPITAL INVESTMENT SHALL BE  
17 EXEMPT FROM THE INCOME TAX ACT OF 1929.  
18  
19

20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
21

22 SECTION 1. Arkansas Code 26-51-815, concerning the computation of  
23 capital gains and losses, is amended by adding an additional subsection to  
24 read as follows:

25 (d)(1) If a taxpayer has a net capital gain from a venture capital  
26 investment, one hundred percent (100%) of the gain shall be exempt from the  
27 Income Tax Act of 1929 if:

28 (A) the venture capital investment was initially made on or after  
29 January 1, 2001; and,

30 (B) the venture capital investment was held for at least five (5)  
31 years prior to disposition.

32 (2)(A) "Venture capital" means equity financing, broadly defined,  
33 including early stage research, development, commercialization, seed capital  
34 for startup enterprises, and other risk capital for expansion of  
35 entrepreneurial enterprises doing business in Arkansas that are qualified  
36 technology-based enterprises doing business in Arkansas, or qualified

1 biotechnology enterprises doing business in Arkansas, or qualified technology  
2 incubator clients doing business in Arkansas.

3 (B) "Venture capital" does not include the purchase of a  
4 share of stock in a company if, on the date on which the share of stock is  
5 purchased, the company has securities outstanding that are:

6 (i) Registered on a national securities exchange  
7 under Section 12(b) of Title I of the Securities Exchange Act of 1934 as it  
8 exists on January 1, 2001;

9 (ii) Registered or required to be registered under  
10 Section 12(g) of Title I of the Securities Exchange Act of 1934 as it exists  
11 on January 1, 2001; or

12 (iii) Required to be registered except for the  
13 exemptions in Section 12(g)(2) of Title I of the Securities Exchange Act of  
14 1934 as it exists on January 1, 2001.

15 (C) "Qualified biotechnology enterprise" means a corporation,  
16 partnership, limited liability company, sole proprietorship, or other entity  
17 that is certified by the Arkansas Department of Economic Development pursuant  
18 to § 2-8-108.

19 (D) "Qualified technology incubator client" means a corporation,  
20 partnership, limited liability company, sole proprietorship, or other entity  
21 that, as of the date of the venture capital investment, is certified by the  
22 University of Arkansas as currently receiving, or having received within the  
23 previous three (3) years, the services of the GENESIS Technology Incubator at  
24 the University of Arkansas.

25  
26 (E) "Qualified technology-based enterprise" means a corporation,  
27 partnership, limited liability company, sole proprietorship, or other legal  
28 entity whose primary business directly involves information technology, nano-  
29 technology, or emerging technology for energy, such as micro-turbines, that is  
30 doing business in Arkansas.

31 /s/ Riggs

32  
33  
34 APPROVED: 4/13/2001