

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1235**

**As Engrossed: 2/6/2015**

**Bill Subtitle: TO AMEND THE EQUITY INVESTMENT INCENTIVE ACT OF 2007.**

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**Basic Change :** Sponsor: Representative Sabin

Engrossment 02/06/15 --- House Amendment 1 --- Amends the bill to clarify that the transferrable tax credits may only be transferred by the original investor one time only.

Original Bill --- This bill amends the Equity Investment Incentive Act of 2007 which providing income tax credits equal to 33 1/3% of the investment for an equity interest in a qualified business. Eligible businesses must first be reviewed and approved by the Arkansas Economic Development Commission, the Arkansas Development Finance Authority, and the Arkansas Science and Technology Authority. The tax credits granted are based on cash investments only and the tax credits approved are limited to a maximum amount of \$6,250,000 annually for all approved eligible business projects.

The bill provides that the initial principle amount of a qualifying convertible financing structure may also qualify for purposes of the investment tax credit. The convertible financing structure is required to be converted to equity no later than five years from the date of the consummation of the initial agreement. The bill defines a "convertible financing structure" to mean an investment mechanism that converts into equity at a subsequent event, including convertible debt, convertible equity, and a convertible note.

The bill also amends the current law to stipulate that if the \$6,250,000 annual cap is reached, then the Arkansas Economic Development Commission shall first award credits to investors taking an equity interest through an equity purchase before credits may be allocated to investors that use a convertible financing structure. The bill would also extend the ending date for which credits may be allowed from December 31, 2028 to December 31, 2037.

**Revenue Impact :**

No Impact to Current State Revenues

[The proposal offers investors the option to use convertible financing structures but does not increase the existing \$6,250,000 annual cap for credits allowed.]

**Taxpayer Impact :**

Investors will have the option to use a convertible financing structure to earn the tax credit.

**Resources Required :**

None

**Time Required :**

Adequate time is provided for implementation

**Procedural Changes :**

Education of staff of the law change.

**Other Comments :**

None

**Legal Analysis :**

None