SB0256

LRB09605667RCE15733b

96TH GENERAL ASSEMBLY

State of Illinois

2009 and 2010

SB0256

Introduced 2/4/2009, by Sen. Michael Noland

SYNOPSIS AS INTRODUCED:

35 ILCS 5/218 new

Amends the Illinois Income Tax Act. Provides that, for 5 taxable years, each taxpayer is entitled to an income tax credit for an investment in a qualified venture capital fund in Illinois. Provides that (i) the fund must have its primary office in Illinois (ii) at least 50% of the total number of investments in the fund's portfolio must be in companies that are based in Illinois. The amount of the credit is based on several factors: economic need of the region in Illinois where the investment occurs, the population of the county in Illinois where the investment occurs, whether the company invested in is an Illinois company that is minority or women owned, and whether the investment is a seed-level investment in an Illinois company. The taxpayer may receive a credit in the amount of 10% of the taxpayer's investment if the investment meets one of the factors and 20% if the investment meets more than one of the factors. But the taxpayer is not eligible for the credit until the fund makes an investment in Illinois. Provides that the tax credit may not reduce the taxpayer's liability to less than zero, but may be carried forward for 5 years. Effective immediately.

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FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Income Tax Act is amended by adding
5 Section 218 as follows:

6 (35 ILCS 5/218 new)
7 Sec. 218. Venture capital investment tax credit.
8 (a) Beginning with taxable years ending on or after
9 December 31, 2009 and ending with taxable years ending on or
10 before December 30, 2014, each taxpayer is entitled to a credit
11 against the tax imposed by subsections (a) and (b) of Section
12 201 for an investment in a qualified venture capital fund in
13 Illinois. The credit is allowed for investments in venture
14 capital funds that qualify as follows:
15 (1) The venture capital fund must have its primary
16 office in Illinois.
17 (2) At least 50% of the total number of investments in
18 the venture capital fund's portfolio must be in companies
19 that are based in Illinois. The Illinois company invested
20 in by the venture capital fund must remain in Illinois for
21 at least one year after the venture capital fund makes the
22 investment that is eligible for the credit under this
23 Section. If the company invested in does not remain in

1 Illinois for at least one year after investment by the
2 venture capital fund, the taxpayer must forfeit the credit.
3 (3) The amount of the credit allowed is based on the
4 following investment factors:
5 (A) The company invested in is in a low-income area
6 in Illinois, based on factors such as poverty,
7 unemployment, and whether it is in an empowerment zone.
8 (B) The company invested in is in an Illinois
9 county with a population of less than 500,000.
10 (C) The company invested in is an Illinois company
11 that is minority or women owned.
12 (D) The investment is a seed-level investment in an
13 Illinois company.
14 (4) The amount of the credit is determined by whether
15 the investment meets one or more of the factors in
16 subdivision (a)(3). If the investment meets only one of the
17 factors in subdivision (a)(3), the credit is equal to 10%
18 of the amount invested by the taxpayer in the taxable year.
19 If the investment meets more than one of the factors in
20 subdivision (a)(3), the credit is equal to 20% of the
21 amount invested by the taxpayer in the taxable year. The
22 taxpayer is not eligible to receive the tax credit under
23 this Section until the qualified venture capital fund makes
24 an investment in a qualified Illinois business, not when
25 the taxpayer makes the initial commitment to invest in the
26 venture capital fund.

1 (b) The tax credit may not reduce the taxpayer's liability
2 to less than zero. If the amount of the credit exceeds the tax
3 liability for the year, the excess may be carried forward and
4 applied to the tax liability of the 5 taxable years following
5 the excess credit year. The credit shall be applied to the
6 earliest year for which there is a tax liability. If there are
7 credits from more than one tax year that are available to
8 offset a liability, the earlier credit shall be applied first.
9 (c) The Department must adopt rules concerning (i) the
10 certification and decertification of taxpayers for eligibility
11 for the credit under this Section and (ii) forfeiture of
12 credits.

13 Section 99. Effective date. This Act takes effect upon
14 becoming law.