



## 98TH GENERAL ASSEMBLY

### State of Illinois

2013 and 2014

HB5493

by Rep. Dwight Kay

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/224 new

Amends the Illinois Income Tax Act. Provides that a taxpayer shall be allowed an income tax credit equal to 50% of the taxpayer's qualified investments in a qualified business during the taxable year. Defines "qualified investments" and "qualified business". Provides that any credit not usable for the taxable year may be carried over for the next 15 succeeding taxable years. Provides that the amount of tax credit available for a calendar year shall be \$5,000,000. Effective immediately.

LRB098 17107 HLH 52194 b

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 224 as follows:

6 (35 ILCS 5/224 new)

7 Sec. 224. Qualified equity and subordinated debt  
8 investments tax credit.

9 (a) As used in this Section:

10 "Commercialization investment" means a qualified  
11 investment in a qualified business that was created to  
12 commercialize research developed at or in partnership with an  
13 institution of higher education.

14 "Equity" means common stock or preferred stock, regardless  
15 of class or series, of a corporation; a partnership interest in  
16 a limited partnership; or a membership interest in a limited  
17 liability company, which is not required or subject to an  
18 option on the part of the taxpayer to be redeemed by the issuer  
19 within 3 years from the date of issuance.

20 "Qualified business" means a business which (i) has annual  
21 gross revenues of no more than \$3,000,000 in its most recent  
22 fiscal year, (ii) has its principal office or facility in the  
23 State of Illinois, (iii) is engaged in business primarily in or

1 does substantially all of its production in the State of  
2 Illinois, (iv) has not obtained during its existence more than  
3 \$3,000,000 in aggregate gross cash proceeds from the issuance  
4 of its equity or debt investments (not including commercial  
5 loans from chartered banking or savings and loan institutions),  
6 and (v) is primarily engaged, or is primarily organized to  
7 engage, in the fields of advanced computing, advanced  
8 materials, advanced manufacturing, agricultural technologies,  
9 biotechnology, electronic device technology, energy,  
10 environmental technology, information technology, medical  
11 device technology, nanotechnology, or any similar  
12 technology-related field.

13 "Qualified investment" means a cash investment in a  
14 qualified business in the form of equity or subordinated debt;  
15 however, an investment shall not be qualified if the taxpayer  
16 who holds the investment, or any of the taxpayer's family  
17 members, or any entity affiliated with the taxpayer, receives  
18 or has received compensation from the qualified business in  
19 exchange for services provided to the business as an employee,  
20 officer, director, manager, independent contractor or  
21 otherwise in connection with or within one year before or after  
22 the date of the investment. For the purposes of this Section,  
23 reimbursement of reasonable expenses incurred shall not be  
24 deemed to be compensation.

25 "Subordinated debt" means indebtedness of a corporation,  
26 general or limited partnership, or limited liability company

1 that (i) by its terms required no repayment of principal for  
2 the first 3 years after issuance; (ii) is not guaranteed by any  
3 other person or secured by any assets of the issuer or any  
4 other person; and (iii) is subordinated to all indebtedness and  
5 obligations of the issuer to national or State-chartered  
6 banking or savings and loan institutions.

7 (b) For taxable years beginning on or after January 1,  
8 2014, a taxpayer shall be allowed an income tax credit equal to  
9 50% of the taxpayer's qualified investments during the taxable  
10 year. No credit shall be allowed to any taxpayer that has  
11 committed capital under management in excess of \$10,000,000 and  
12 engages in the business of making debt or equity investments in  
13 private businesses, or to any taxpayer that is allocated a  
14 credit as a partner, shareholder, member, or owner of an entity  
15 that engages in such business.

16 (c) The amount of any credit attributable to a qualified  
17 investment by a partnership, electing small business  
18 corporation (S corporation), or limited liability company  
19 shall be allocated to the individual partners, shareholders, or  
20 members, as the case may be, as they may determine.

21 (d) The aggregate amount of the credit for each taxpayer  
22 shall not exceed the lesser of (i) the tax imposed for the  
23 taxable year or (ii) \$50,000. Any credit not usable for the  
24 taxable year in which the credit was allowed may be, to the  
25 extent usable, carried over for the next 15 succeeding taxable  
26 years or until the total amount of the tax credit has been

1 taken, whichever occurs first.

2 (e) The amount of tax credits available under this Section  
3 for a calendar year shall be \$5,000,000. Of the amount of  
4 available credits, one-half of the amount shall be allocated  
5 exclusively for credits for commercialization investments.  
6 That allocation of tax credits shall constitute the minimum  
7 amount of tax credits to be allocated for commercialization  
8 investments. However, if the amount of tax credits requested  
9 for commercialization investments is less than one-half of the  
10 total amount of credits available under this Section, the  
11 balance of the credits shall be allocated for qualified  
12 investments in any qualified business under this Section.

13 (f) The Department of Revenue shall promulgate rules in  
14 accordance with the Illinois Administrative Procedure Act to  
15 implement this Section.

16 Section 99. Effective date. This Act takes effect upon  
17 becoming law.