AN ACT in relation to taxation.

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

Section 5. The Illinois Income Tax Act is amended by adding Section 213 as follows:

(35 ILCS 5/213 new)

<u>Sec. 213. Venture capital investment tax credit.</u>

<u>(a) Beginning with taxable years ending on or after December 31, 2001 and ending with taxable years ending on or before December 30, 2006, each taxpayer is entitled to a credit against the tax imposed by subsections (a) and (b) of Section 201 for an investment in a qualified venture capital fund in Illinois. The credit is allowed for investments in venture capital funds that qualify as follows:</u>

<u>(1) The venture capital fund must have its primary office in Illinois.</u>

<u>(2) At least 50% of the total number of investments in the the venture capital fund's portfolio must be in companies that are based in Illinois. The Illinois company invested in by the venture capital fund must remain in Illinois for at least one year after the venture capital fund makes the investment that is eligible for the credit under this Section. If the company invested in does not remain in Illinois for at least one year after investment by the venture capital fund, the taxpayer must forfeit the credit.</u>

<u>(3) The amount of the credit allowed is based on the following investment factors:</u>

<u>(A) The company invested in is in a low-income area in Illinois, based on factors such as poverty, unemployment, and whether it is in an empowerment</u>

zone.

(B) The company invested in is in an Illinois county with a population of less than 500,000.

(C) The company invested in is an Illinois company that is minority or women owned.

(D) The investment is a seed-level investment in an Illinois company.

(4) The amount of the credit is determined by whether the investment meets one or more of the factors in subdivision (a)(3). If the investment meets only one of the factors in subdivision (a)(3), the credit is equal to 10% of the amount invested by the taxpayer in the taxable year. If the investment meets more than one of the factors in subdivision (a)(3), the credit is equal to 20% of the amount invested by the taxpayer in the taxable year. The taxpayer is not eligible to receive the tax credit under this Section until the qualified venture capital fund makes an investment in a qualified Illinois business, not when the taxpayer makes the initial commitment to invest in the venture capital fund.

(b) The tax credit may not reduce the taxpayer's liability to less than zero. If the amount of the credit exceeds the tax liability for the year, the excess may be carried forward and applied to the tax liability of the 5 taxable years following the excess credit year. The credit shall be applied to the earliest year for which there is a tax liability. If there are credits from more than one tax year that are available to offset a liability, the earlier credit shall be applied first.

(c) The Department must adopt rules concerning (i) the certification and decertification of taxpayers for eligibility for the credit under this Section and (ii) forfeiture of credits.

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