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FISCAL IMPACT REPORT

ORIGINAL DATE 1/31/11

SPONSOR Smith LAST UPDATED _____ HB _____

SHORT TITLE Repeal Venture Capital Investment Act SB 194

ANALYST Burrows

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
NFI	NFI	NFI		

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Taxation and Revenue (TRD)

Attorney General's Office (AGO)

SUMMARY

Synopsis of Bill

Senate Bill 194 proposes to repeal the Venture Capital Investment Act (Section 7-2D-1 through Section 7-2D-14 NMSA 1978).

Because no effective date is provided in the bill, its provisions will become effective 90 days after the 2011 Legislative Session adjourns, on June 17, 2011.

FISCAL IMPLICATIONS

The Venture Capital Investment Act provides a tax credit against federal income tax payments on capital gains earned on certain qualifying New Mexico manufacturing businesses. To receive the credit, stock must have been issued between June 30, 1994 and July 1, 2001 on a qualifying business that has experienced a net increase in valuation of at least \$15 million at the end of the taxpayer's holding period of at least five years.

According to the Department of Taxation and Revenue, no taxpayers have applied for the venture capital investment tax credit or are expected to in the future. Therefore, it is unlikely that any future revenue will be lost from continuation of the credit, or that repeal of the act will adversely affect New Mexico businesses and/or taxpayers.

ADMINISTRATIVE IMPLICATIONS

TRD reports that this proposal will have a positive impact on the department, because it would allow simplification of statute and publications.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The credit will be available for taxpayers who qualify.

POSSIBLE QUESTIONS

LKB/mew