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California, Indiana Legislatures Consider State New Markets Measures

By Alex Ruiz, Staff Writer, Novogradac & Company LLP

Following Louisiana's lead, several state legislatures are considering measures to provide state-level tax incentives for new markets investments. For several years, state agencies have offered similar programs that mirror the low-income housing tax credit (LIHTC). Currently, 15 states offer state LIHTCs, each unique to the state that offers it, with each experiencing some relative success.

Louisiana is currently the only state with a state new markets tax credit (NMTC). The program provides an income or corporation franchise tax credit for certain low-income community investments. Taxpayers that hold qualified equity investments on a credit allowance date may claim a credit against their Louisiana income or corporation franchise tax equal to the applicable percentage of the adjusted purchase price paid to the issuer of the equity investment. The Louisiana NMTC program sets the aggregate amount of credits available at \$5 million per year to be allocated on a first-come, first-served basis. The measure, enacted June 25, 2002, went into effect September 1 of that year and is scheduled to sunset August 31, 2006.

Indiana

The Indiana Legislature is considering a measure introduced in late January to allow state new markets tax credits (NMTCs) ranging from \$50,000 to \$100,000 annually. Under House Bill 1571, sponsored by Rep. Bill Crawford, D-Indianapolis, Indiana banks and thrifts whose investments qualify for the federal NMTC would also get state tax credits. The bill would be effective retroactively and would allow credit for any qualified investment made on or after January 1, 2005. An amendment passed in the House Ways and Means Committee limits the amount of credits that may be approved in any

given state fiscal year to not more than \$1 million.

The Community Bankers Association of Indiana Inc. (CBAI) came out in support of the measure's passage. CBAI's for-profit subsidiary, CBAI Community Development Inc., was awarded an allocation of \$50 million of NMTCs, the largest allocation ever awarded by the Community Development Financial Institutions (CDFI) Fund to an Indiana based entity. With the award, CBAI and its members predicted they would be able to fund \$128,000,000 of projects throughout Indiana.

The bill cleared one hurdle on the way to passage in the current legislative session, which is scheduled to end April 29, when it was approved by the House Ways and Means Committee by Feb. 24.

California

In committee last month, the California Legislature was set to consider two measures introduced by Assemblyman Ray Haynes, R-66th Dist., that could provide matching or additional funding for new markets investments. A.B. 1224 would allow a credit equal to 5 percent of the adjusted purchase price, as defined, paid or incurred by the taxpayer for a qualified equity investment (QEI), as defined by Internal Revenue Code Section 45D.

AB 957 and AB 251 are nearly identical; both propose a state New Markets Venture Capital (NMVC) program. Under the program, the Business, Transportation and Housing Agency would be authorized to enter into participation agreements with eligible NMVC companies to enable them to make developmental venture capital investments in smaller enterprises in low- or moderate-income geographic areas.

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California, Indiana Legislatures

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AB 957, which is expected to move forward, differs from AB 251 in two ways. In the text of the legislation, AB 957 names an account to be created within the state Community and Economic Development Fund to be called the New Markets Venture Capital Account. AB 251 names the same account the New Markets Venture Capital Fund and would be created in the state Treasury.

Missouri

And in Missouri, Sen. Jon Dolan, R-Dist. 2, introduced SB 509 to allow a tax credit against taxpayers' income tax liability in an amount equal to the applicable percentage of the adjusted purchase price paid to the issuer of a QEI (not exceed such person's total combined income and franchise tax liability). The proposed tax credit could be carried forward two years.

When the *NMTC Monthly Report* went to press, SB 509 had been referred to the Senate Ways and Means Committee.

Copies of these bills are available online at www.novoco.com/NMTC/Legislation.shtml. ❖

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NMTC REPORT INFORMATION

Address all correspondence and editorial submissions to:

Jane Bowar Zastrow
NMTC Report
Novogradac & Company LLP
246 First Street, 5th Floor
San Francisco, CA 94105
Telephone: 415.356.8034
E-mail: cpas@novoco.com
Visit us on the web:
www.newmarketscredits.com

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