



HB 4072 University Venture Development Fund Tax Credits for Donations

Testimony for House Revenue - Jody Wisner

Are colleges good at choosing where to invest venture capital? We simply don't know yet. We are glad to see that this year's bill for the University Venture Development Fund does not include the expansion of the state's investment commitment from \$8.4 million to \$25 million, proposed last session.

HB 4072 does not simply extend the sunset to 2022.

HB 4072 makes the tax credit more beneficial to the "donor" in two ways.

- 1) It increases individual potential donations from \$84,000 to \$1 million a year.
- 2) It allows use of all of the tax credit in the first year rather than over three years.

Since the bill removes both the time value of money factor and the risk of not having tax liability in out years -- a reduction of the credit from 60% to 55% should come with the change, or those elements should be eliminated.

Further, it's time to write a section that directs the universities to provide tax documentation to the IRS for the value of tax credits received by donors.

I received a 1099 from my bank for interest income of \$50.93. That's notice to me, the IRS and DOR that I owe taxes on that money. Surely if a taxpayer is "donating" \$1,000,000 and getting a tax credit for \$600,000, the university should be issuing a 1099. This should be a requirement of the law, for this and all our similar credits.

On a side note, you will hear that the University Venture Development Fund has repaid the General Fund more than \$500,000. While that is technically correct, the way the program is set up, the GF investment won't be reduced below the \$8.4 million cap. While there is a return to the GF of 20% of the income that the universities receive from successful roll-outs, the universities can then issue new tax credits for an equal amount. (See page 3, line 36) Further, a new provision in the bill assures that if a taxpayer never uses their tax credit, the Venture Development Fund, not the General Fund, gets the benefit. (See page 3, line 38)

Continuation of the program until we know more about whether universities are good at making venture capital guesses makes sense.