

January 31, 2007

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1403

Page 1, line 9, remove "personal"

Page 1, after line 11, insert:

"b. "Director" means the director of the department of commerce division of economic development and finance."

Page 1, line 12, replace "b." with "c." and remove "and"

Page 1, line 13, remove "which does not have its primary business location"

Page 1, line 14, replace "seven" with "three", remove "five hundred", and replace "more" with "less"

Page 1, line 15, replace "c." with "d."

Page 1, line 18, after the underscored period insert "For the purposes of calculating the increase in new employment, the employer may not include merit or equity based salary increases, cost of living adjustments, or any other increase in compensation not directly related to the hiring of new employees during the taxable year."

Page 1, line 19, replace "d." with "e."

Page 2, line 2, after the underscored period insert "For the purposes of calculating the increase in new investment, the employer may not include any increases in rents for property leased before the current taxable year. Only rents for leases completed in the current taxable year may be included."

Page 2, replace lines 20 through 31 with:

"2. The director shall accept an application for qualification as a microbusiness under this section from a taxpayer that is actively engaged in the operation of a microbusiness or that will establish a microbusiness in which the taxpayer will be actively engaged in or operating within the current or subsequent taxable year. The application must be on a form provided by the director and must contain:

- a. A description of the microbusiness;
- b. The projected income and expenditures of the microbusiness;
- c. The market to be served by the microbusiness and the way the expansion addressed the market;
- d. The amount of projected new investment or employment increases;
- e. The projected improvement in income or creation of new self-employment or jobs in the area in which the microbusiness is located;

- f. The nature of the applicant's engagement in the operation of the microbusiness; and
 - g. Any other document, plan, or specification required by the director.
- 3. A business may be certified by the director as a microbusiness if:
 - a. The applicant is actively engaged in the operation of the microbusiness or will be actively engaged in the operation of the microbusiness upon its establishment;
 - b. The applicant will make new investment or employment in the microbusiness; and
 - c. The new investment or employment will create new income or jobs in the area in which the business is located.
- 4. If the applicant meets the requirements of subsection 3, the director shall issue a certification letter to the microbusiness. The certification letter must include the certification effective date.
- 5. The director may not certify more than two hundred qualified businesses as a microbusiness.
- 6. A taxpayer that is certified as a microbusiness is entitled to tax credits against tax liability as determined under section 57-38-29, 57-38-30, or 57-38-30.3 equal to twenty percent of the taxpayer's new investment and new employment in the microbusiness during the taxable year. A taxpayer may not obtain more than ten thousand dollars in credits under this section over any combination of taxable years.
- 7. The credit under this section may not exceed a taxpayer's liability as determined under this chapter for the taxable year. Each year's unused credit amount may be carried forward for up to five taxable years.
- 8. The taxpayer only may claim the tax credit under this section by filing a form provided by the tax commissioner and attaching the microbusiness certification letter.
- 9. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity to the credit under this section must be considered to be the taxpayer for purposes of calculating the credit. The amount of the allowable credit must be determined at the passthrough entity level. The total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.
- 10. The tax commissioner shall prepare a report for the director identifying the following aggregate amounts for the previous calendar year:
 - a. The actual amount of new investment and new employment in the previous calendar year which was reported by taxpayers certified as a microbusiness under this section; and
 - b. The tax credit claimed during the previous calendar year.
- 11. The report required by this subsection must be issued by January 1, 2009, and each January fifteenth thereafter. Information may not be included in the report which is protected by the state or federal confidentiality laws."

Page 3, remove lines 1 through 31

Page 4, remove lines 1 through 26

Renumber accordingly