

**RURAL JOB CREATION TAX CREDIT**

2020 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Lee B. Perry**

Senate Sponsor: \_\_\_\_\_

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**LONG TITLE**

**General Description:**

This bill modifies the rural job creation tax credit.

**Highlighted Provisions:**

This bill:

- ▶ expands the rural job creation tax credit by allowing the tax credit to be claimed by admitted insurers; and
- ▶ makes technical and conforming changes.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

This bill provides a special effective date.

**Utah Code Sections Affected:**

AMENDS:

**63N-4-302**, as last amended by Laws of Utah 2019, Chapter 465

ENACTS:

**59-9-108**, Utah Code Annotated 1953

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*Be it enacted by the Legislature of the state of Utah:*

Section 1. Section **59-9-108** is enacted to read:

**59-9-108**. Nonrefundable rural job creation tax credit.



28 (1) As used in this section, "office" means the Governor's Office of Economic  
29 Development created in Section [63N-1-201](#).

30 (2) Subject to the other provisions of this section, a taxpayer may claim a  
31 nonrefundable tax credit for rural job creation as provided in this section.

32 (3) The tax credit under this section is the amount listed as the tax credit amount on a  
33 tax credit certificate that the office issues under Title 63N, Chapter 4, Part 3, Utah Rural Jobs  
34 Act, to the taxpayer for the taxable year.

35 (4) A taxpayer may carry forward a tax credit under this section for the next seven  
36 taxable years if the amount of the tax credit exceeds the taxpayer's tax liability under this  
37 chapter for the taxable year in which the taxpayer claims the tax credit.

38 (5) An entity required to pay a retaliatory tax levied under this chapter for a reason  
39 other than claiming the tax credit may claim the tax credit after the retaliatory tax amount is  
40 calculated, and the tax credit may be used to offset retaliatory tax liability.

41 (6) Notwithstanding the other provisions of this section, this section does not apply to  
42 an admitted insurer to the extent that the admitted insurer writes workers' compensation  
43 insurance in this state and has premiums taxed under Subsection [59-9-101\(2\)](#).

44 (7) (a) On or before November 30, 2021, and every three years after 2021, the Revenue  
45 and Taxation Interim Committee shall review the tax credit provided by this section and make  
46 recommendations concerning whether the tax credit should be continued, modified, or  
47 repealed.

48 (b) In conducting the review required by Subsection (7)(a), the Revenue and Taxation  
49 Interim Committee shall:

50 (i) schedule time on at least one committee agenda to conduct the review;

51 (ii) invite state agencies, individuals, and organizations concerned with the tax credit  
52 under review to provide testimony;

53 (iii) ensure that the recommendations described in this section include an evaluation of:

54 (A) the cost of the tax credit to the state;

55 (B) the purpose and effectiveness of the tax credit; and

56 (C) the extent to which the state benefits from the tax credit; and

57 (iv) undertake other review efforts as determined by the chairs of the Revenue and  
58 Taxation Interim Committee.

59 Section 2. Section 63N-4-302 is amended to read:

60 **63N-4-302. Definitions.**

61 As used in this part:

62 (1) (a) "Affiliate" means a person that directly, or indirectly through one or more  
63 intermediaries, controls, is controlled by, or is under common control with another person.

64 (b) For the purposes of this part, a person controls another person if the person holds,  
65 directly or indirectly, the majority voting or ownership interest in the controlled person or has  
66 control over the day-to-day operations of the controlled person by contract or by law.

67 (2) "Claimant" means a resident or nonresident person that has state taxable income.

68 (3) "Closing date" means the date on which a rural investment company has collected  
69 all of the investments described in Subsection 63N-4-303(7).

70 (4) (a) "Credit-eligible contribution" means an investment of cash by a claimant in a  
71 rural investment company that is or will be eligible for a tax credit as evidenced by notification  
72 issued by the office under Subsection 63N-4-303(5)(c).

73 (b) The investment shall purchase an equity interest in the rural investment company or  
74 purchase, at par value or premium, a debt instrument issued by the rural investment company  
75 that has a maturity date at least five years after the closing date.

76 (5) "Eligible small business" means a business that at the time of an initial growth  
77 investment in the business by a rural investment company:

78 (a) has fewer than 150 employees;

79 (b) has less than \$10,000,000 in net income for the preceding taxable year;

80 (c) maintains the business's principal business operations in the state; and

81 (d) is engaged in an industry related to:

82 (i) aerospace;

83 (ii) defense;

84 (iii) energy and natural resources;

85 (iv) financial services;

86 (v) life sciences;

87 (vi) outdoor products;

88 (vii) software development;

89 (viii) information technology;

90 (ix) manufacturing; or

91 (x) agribusiness.

92 (6) (a) "Excess return" means the difference between:

93 (i) the present value of all growth investments made by a rural investment company on  
94 the day the rural investment company applies to exit the program under Section 63N-4-309,  
95 including the present value of all distributions and gains from the growth investments; and

96 (ii) the sum of the amount of the original growth investment and an amount equal to  
97 any projected increase in the equity holder's federal or state tax liability, including penalties and  
98 interest, related to the equity holder's ownership, management, or operation of the rural  
99 investment company.

100 (b) If the amount calculated in Subsection (6)(a) is less than zero, the excess return is  
101 equal to zero.

102 (7) "Federally licensed rural business investment company" means a person licensed as  
103 a rural business investment company under 7 U.S.C. Sec. 2009cc.

104 (8) "Federally licensed small business investment company" means a person licensed  
105 as a small business investment company under 15 U.S.C. Sec. 681.

106 (9) (a) "Full-time employee" means an employee that throughout the year works at  
107 least 30 hours per week or meets the customary practices accepted by that industry as full time.

108 (b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the  
109 office may make rules that establish additional hour or other criteria to determine what  
110 constitutes a full-time employee.

111 (10) "Growth investment" means any capital or equity investment in an eligible small  
112 business or any loan made from the investment authority to an eligible small business with a  
113 stated maturity at least one year after the date of issuance.

114 (11) (a) "High wage" means a wage that is at least 100% of the county average wage.

115 (b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the  
116 office may make rules that establish additional criteria to determine what constitutes a high  
117 wage.

118 (12) "Investment authority" means the minimum amount of investment a rural  
119 investment company must make in eligible small businesses in order for credit-eligible  
120 contributions to the rural investment company to qualify for a rural job creation tax credit

121 under Section [59-7-621](#), [59-9-108](#), or [59-10-1038](#).

122 (13) (a) "New annual jobs" means the difference between:

123 (i) (A) the monthly average of full-time employees that are paid a high wage at an  
124 eligible small business for the preceding calendar year; or

125 (B) if the preceding calendar year contains the initial growth investment, the monthly  
126 average of full-time employees that are paid a high wage at an eligible small business for the  
127 months including and after the initial growth investment and before the end of the preceding  
128 calendar year; and

129 (ii) the number of full-time employees that are paid a high wage at the eligible small  
130 business on the date of the initial growth investment.

131 (b) If the amount calculated in Subsection [~~(2)(a)~~] [\(13\)\(a\)](#) is less than zero, the new  
132 annual jobs amount is equal to zero.

133 (14) (a) "Principal business operations" means the location where at least 60% of a  
134 business's employees work or where employees that are paid at least 60% of a business's  
135 payroll work.

136 (b) For the purposes of this part, an out-of-state business that agrees to relocate  
137 employees to this state to establish the business's principal business operations in this state  
138 using the proceeds of a growth investment is considered to have the business's principal  
139 business operations in this state if the business satisfies the requirements of Subsection (14)(a)  
140 within 180 days after receiving the growth investment, unless the office agrees to a later date.

141 (15) "Program" means the provisions of this part applicable to a rural investment  
142 company.

143 (16) "Rural county" means any county in this state except Salt Lake, Utah, Davis,  
144 Weber, Washington, Cache, Tooele, and Summit counties.

145 (17) "Rural investment company" means a person approved by the office under Section  
146 [63N-4-303](#).

147 (18) (a) "State reimbursement amount" means the difference between:

148 (i) 50% of the rural investment company's credit-eligible capital contributions; and

149 (ii) the product of:

150 (A) the total sum of new annual jobs reported to the state in the rural investment  
151 company's exit report described in Section [63N-4-309](#); and

152 (B) \$20,000.

153 (b) If the amount calculated in Subsection (18)(a) is less than zero, the state  
154 reimbursement amount is equal to zero.

155 (19) "Tax credit" means a rural job creation tax credit created by Section [59-7-621](#),  
156 [59-9-108](#), or [59-10-1038](#).

157 (20) "Tax credit certificate" means a certificate issued by the office that:

158 (a) lists the name of the person to which the office authorizes a tax credit;

159 (b) lists the person's taxpayer identification number;

160 (c) lists the amount of tax credit that the office authorizes the person to claim for the  
161 taxable year; and

162 (d) may include other information as determined by the office.

163 Section 3. **Effective date.**

164 This bill takes effect for a taxable year beginning on or after January 1, 2021.