

HOUSE BILL 1721

By Fitzhugh

AN ACT to amend Tennessee Code Annotated, Title 67, Chapter 4, relative to tax credits for start-up small businesses.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 67, Chapter 4, Part 21, is amended by adding the following as a new, appropriately designated section:

(a) This section shall be known and may be cited as the "Equity for Entrepreneurs Act".

(b) This section shall be administered by the department of revenue. The purpose of this section is to provide entrepreneurs with incentives to assist with the successful development of start-up companies that contribute to the economy and growth of this state.

(c) As used in this section:

(1) "Capital investment" means an investment of at least one hundred thousand dollars (\$100,000) in real property, tangible personal property or computer software owned or leased in this state valued in accordance with generally accepted accounting principles;

(2) "Commissioner" means the commissioner of revenue;

(3) "Department" means the department of revenue; and

(4) "Start-up small business" means any business that employs fifty (50) or fewer full-time employees at the time of application and that is in the first thirty-six (36) months of providing goods or services in the ordinary course of business at the time of application.

(d) Any start-up small business shall be entitled to tax credits against the business's liability for taxes imposed by this part, and by the Excise Tax Law of 1999, compiled in part 20 of this chapter, equal to five thousand dollars (\$5,000) for each new full-time employee job or capital investment created during the tax year, subject to the requirements of this section.

(e) Any new full-time employee hired in the tax year shall not be a spouse, parent, sibling, son or daughter of the applicant.

(f) An applicant shall claim the tax credit by filing an application in the manner prescribed by the commissioner and attaching the tentative tax credit certification granted by the department.

(g) The department shall accept applications for tax credits from applicants who are actively engaged in the operation of a start-up small business in this state. The application shall be on a form and in a manner prescribed by the department and shall contain:

(1) A description of the start-up small business;

(2) The projected income and expenditures;

(3) The market to be served by the start-up small business and the way the expansion addresses the market;

(4) The amount of capital investment or employment increase that would generate the credit;

(5) The projected improvement in income or creation of new self-employment or other jobs in this state;

(6) The nature of the applicant's engagement in the operation of the start-up small business; and

(7) Other documents, plans, and specifications as required by the department.

(h) If the department determines that the application meets the requirements of this section, then the department shall approve the application, authorize tentative tax credits to the applicant within the limits set forth in this section, and certify the amount of tentative tax credits approved for the applicant.

(i) Tentative tax credits expire after the end of the tax year following the year the tentative tax credit was certified. The total lifetime tax credits claimed by any one (1) start-up small business under this section shall be limited to fifty thousand dollars (\$50,000).

SECTION 2. This act shall take effect July 1, 2014, the public welfare requiring it.