



HB 4072 University Venture Development Fund Tax Credits for Donations

Key Question-

- Why does the Venture Development Fund offer tax credits to donors when donors to other programs (e.g. scholarship funds, chair endowments, sports facilities) receive a tax deduction?

TFO is curious why this program is different. The Legislature could have funded the University Venture Development with \$8.4 million as seed money that would support this program and its institutional fundraising in early stages, with the expectation of return of the \$8.4 m. Unlike most non-profits, their fundraising has been augmented by gains from successful deployment of the investment dollars. This complex program seems like overkill.

If Tax Credits are essential to the program, TFO recommends the following:

- **The bill needs an amendment to either (1) return to three year tax credits, or (2) reduce the tax credit percentage.** Because HB 4072 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 from a 3-year to a 1-year tax credit, or this element should be eliminated.
- **The bill needs an amendment that directs universities to provide tax documentation to the IRS for the value of tax credits received by donors.** If a taxpayer is "donating" \$1,000,000 and getting a tax credit for \$600,000, the university should be issuing tax documentation. This should be a requirement of the law for any tax credits.
- **We object to extending the sunset to 2022.** Like other tax credits this program needs systematic review.

The Return on Investment benefits the universities and future donors—not the General Fund

Although the Venture Development fund has returned roughly \$500,000 to the General Fund, the state's investment has not been reduced below the \$8.4 million cap. The GF gets 20% of any income from a successful roll-out, but 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)