



## *Detailed Fiscal Analysis*

### **Research and Development Loan Fund**

The bill establishes the Research and Development Loan Fund Program to finance eligible research and development projects. Assistance is available for any research and development project involving the discovery of information that is technological in nature and used to develop new or improved products or processes. Any loan provided through the R&D Loan Fund cannot exceed 75% of the total eligible costs of the project. The Controlling Board must approve assistance provided through this program. Repayment of loans made from the fund will be repaid to the fund. Reimbursements of the Director of Development's expenses that are incurred in administering economic development programs can be paid from moneys in this fund.

The Program will be financed through money raised from the proceeds of bond or note sales that are repaid with liquor profits and loan payments made by entities that borrow from the R&D Loan Fund Program. The bill creates a special revenue fund in the custody of the Treasurer of State for making withdrawals and deposits for the Program. The fund does not consist of any money raised by taxation, nor are tax revenues used to pay the principal or interest due on the obligations. Also, the bill does not include appropriations for the issuance of obligations for the Program.

### **Liquor Profits**

The bill increases the ceiling on the aggregate principal amount of obligations that may be issued to fund economic development programs from \$300 million to \$500 million, excluding those financing obligations for which bond service charges are not paid from liquor profits. The bill also adds the R&D Loan Fund to the list of funds whose obligations are supported by liquor profits; the list of other programs includes the Facilities Establishment Fund, Loan Guarantee Fund, Innovation Ohio Loan Guarantee Fund, and Innovation Ohio Loan Fund. The \$25 million limit for the aggregate amount of liquor profits that may be used to back the obligations issued for economic development is raised to \$45 million by the bill. Finally, the \$700 million limit on the aggregate amount of loan guarantees made under the Loan Guarantee Fund and the Innovation Ohio Loan Guarantee Fund and the unpaid principal of loans made from the Facilities Establishment Fund and the Innovation Ohio Loan Fund is raised to \$800 million; loans made under the R&D Loan Fund are placed under this ceiling.

### **Ohio Research Commercialization Grant Program**

The bill also creates the Ohio Research Commercialization Grant Program to assist with the commercialization of research projects that have received assistance through the federal Small Business Innovation Research (SBIR) program, the federal Small Business Technology Transfer program, or other similar federal programs designated by the Director as making the applicant eligible for assistance. *State assistance under this program is only available if federal assistance has been awarded.* The state assistance must be specifically used for commercialization of core competency technology, including advanced materials, instruments, controls, electronics, biosciences, power and propulsion, and information technology, or for other business activities related to the commercialization of core competency technology. The bill does not include any appropriations for this program.

### **Tax Credits**

The bill also makes various changes to laws governing technology investment tax credits, and allows the Director of Development to lend money in the R&D Loan Fund to persons for paying the allowable costs of an eligible research and development project.

The bill creates a nonrefundable and transferable credit against the corporation franchise and income taxes for qualified payments made on loans issued by the Director of Development. The amount of the credit cannot exceed \$150,000 per year and per taxpayer. The tax credits could be carried forward until fully utilized. The bill established criteria for transferability of the credits.

The bill increases the amount of technology investment tax credits that may be issued from \$10 million to \$20 million. The bill also increases the amount of investments for which a technology tax credit can be claimed from \$150,000 to \$250,000. Also, the maximum amount of investments that an investor can make in one business increases from \$150,000 to \$250,000.

The tax credits will decrease revenues to the General Revenue Fund (GRF), the Local Government Fund (LGF), the Local Government Revenue Assistance Fund (LGRAF), and the Library and Local Government Support Fund (LLGSF). Corporate franchise tax revenues are distributed to the GRF (95.2%), the LGF (4.2%) and the LGRAF (0.6%). Personal income tax revenues are distributed to the GRF (89.5%), the LGF (4.2%) the LGRAF (0.6%) and the LLGSF (5.7%). ***The amount of revenue loss will depend upon the total issuance of tax credits under the Research and Development Loan Program.***

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