

April 17, 2007

**H 1538. QUALIFIED VENTURE CAPITAL GAIN EXEMPTION.** Filed 4/17/07. *TO EXCLUDE FROM INCOME TAX CERTAIN GAINS FROM INVESTMENTS IN TECHNOLOGY BUSINESSES AND OTHER QUALIFIED SMALL BUSINESSES.*

As title indicates, enacts new GS 105-163.020 through GS 105-163.023 and recodifies GS 105-163.013 and GS 105-163.015 in Part 5 of Article 4 of GS Chapter 105, Incentives for Qualified Business Investments. Amends GS 105-163.010B to extend the sunset date for Part 5 from January 1, 2008, to January 1, 2011.

Allows a taxpayer to exclude from taxable income under state corporate or individual income tax any recognized gain or other taxable income from the sale or exchange of qualified securities (not to exceed \$1 million for qualified securities in any single qualified business). Except as otherwise provided in the act, *qualified securities* include any equity security or subordinated debt instrument issued on or after January 1, 2008, by a qualified business, acquired by the taxpayer at its original issue in exchange for cash, services, or other property, held for at least one year, and acquired without payment of a broker's fee or commission for soliciting the purchase. If the security was purchased by a pass-through entity, the entity must meet the requirements of GS 105-163.011(b1) (tax credits allowed by a pass-through entity). Provides that if a taxpayer claims an exclusion of gain from income, the taxpayer's income tax for the tax year for which the exclusion is claimed must be increased by the recapture amount, which is the amount of all credits previously claimed with respect to qualified securities that have been sold and the gain from which has been excluded. Provides for calculating the recapture amount when the exclusion from gain has been limited due to the dollar amount limitation. Extensive provisions address qualification, registration, effect of redemptions and other distributions, conversion of other securities, transfers of securities, contributions and exchanges of property, and short positions and other transactions that substantially reduce the risk of loss from holding the securities.

**Intro. by Gibson, Ross.**

GS 105