



**REPRESENTATIVE MIA COSTELLO**  
**Member, House Finance Committee**

**SPONSOR STATEMENT FOR HOUSE BILL 252**

House Bill 252 seeks to encourage the development of high-growth technology and research companies in Alaska, improve Alaska's business climate, promote the diversification of Alaska's economy, and encourage entrepreneurship and the development of Alaska's venture capital investment sector. It would also enhance Alaskan entrepreneurs' ability to remain in Alaska to start their businesses and raise their families here at home.

House Bill 252 takes advantage of a provision in the federal tax code to promote the development of high-growth tech corporations in Alaska. It does this by exempting from the state corporate income tax small businesses incorporated as C-corporations in Alaska in select industries identified in section 1202 of the Internal Revenue Code.

The federal Small Business Jobs Act of 2010, passed as part of President Barack Obama's economic stimulus initiatives, enhanced incentives under section 1202 for investment in "qualified small businesses", which are small start-up corporations doing business in selected industries and with assets of less than \$50 million. The corporations which qualify under section 1202 are typically intellectual property-based research and technology companies, which tend to be highly mobile and have many options regarding where to locate their business.

When compared to other forms of corporations, C-corporations have fewer restrictions on the ownership and transferability of shares, and can more easily secure venture capital funding.

C-corporations in Alaska currently face the fifth highest state corporate income tax rate in the country. Such companies consequently tend to locate elsewhere, even when founded by Alaskan entrepreneurs.

House Bill 252 would remove one of the major obstacles preventing the development of high-growth technology companies in Alaska. The fiscal impact of the exemption created under this bill is expected to be minimal. The positive economic impacts of the bill, however, could be quite significant for the state of Alaska.

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