

July 19, 2007

The Honorable Alfred W. Speer  
Clerk of the House of Representatives  
State Capitol  
Baton Rouge, Louisiana 70804

Re: House Bill No. 892 by Representative Townsend  
TAX CREDITS: Provides for extensions of time for certain tax credits

Dear Mr. Speer:

House Bill No. 892 by Representative Townsend recreates the Capital Tax Credit Program (CAPCO), which provides a government subsidy in the form of a tax credit for investment companies combined with a tax reduction for insurance companies. The measure perpetuates a very expensive way for the state to provide risk capital to Louisiana businesses because for the maximum leverage for every dollar of CAPCO investment the state gives a 90% tax credit, thus taking the risk out of risk capital. Since the advent of the CAPCO program, there have been other incentive plans that have utilized tax credits for early stage seed and venture funding such as the Angel Investor Tax Credit Program. Additionally, Louisiana Economic Development Corporation, an arm of Louisiana Economic Development, has funded early stage investment funds for Louisiana and has seen some early stage success from that funding in the areas of university technology development. The state is currently liable for tax credits earned by the previous CAPCO program that expired in 2003 of approximately \$45 million. This legislation adds an additional price tag, for just the CAPCO portion, of up to \$232 million over 12 years.

For these reasons, I am vetoing House Bill No. 892 and returning it to the House of Representatives.

Sincerely,

Kathleen Babineaux Blanco  
Governor

jw