

# MINNESOTA • REVENUE

## INDIVIDUAL INCOME TAX CORPORATE FRANCHISE TAX Investment Tax Credit

March 14, 2007

Department of Revenue  
Analysis of S.F. 1639 (Langseth) As Amended

	Yes	No
DOR Administrative Costs/Savings	X	

### Fund Impact

	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
General Fund	(Unknown)	(Unknown)	(Unknown)	(Unknown)

(000's)

Effective August 1, 2007.

### EXPLANATION OF THE BILL

The bill would allow qualified investors a nonrefundable 25% credit against the individual income tax or corporate franchise tax for investment in a qualified business. The credit is limited to \$50,000 for an individual, whether a direct investor or a member of a pass-through entity, and to \$600,000 for a pass-through entity. A corporation that is not a pass-through entity has no credit maximum. Credit exceeding liability can be carried over for up to ten years.

A qualified investor is an accredited investor within the meaning of SEC Regulation D; that is, a high income and high net worth individual or an investment entity with considerable assets. No qualified investor may own 20% or more of the securities of the qualified business.

**As amended**, a qualified business is one engaged in the fields of biotechnology or medical device products or services within the agriculture, manufacturing, or research and development sectors. A qualified business also must not have been in operation more than ten consecutive years, must have no more than \$1 million in annual gross sales, and must have no more than \$2 million in private equity investment and no more than \$1 million in such investments that qualify for the investment credit. The business must be headquartered in Minnesota and have fewer than 100 employees, of which at least 51% must be located in Minnesota.

### REVENUE ANALYSIS DETAIL

- The bill applies primarily to biotechnology or medical device startup companies. The number of these cannot be predicted, nor can the amount of investment capital each would attract.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

hf1747(sf1639)\_1/gt