

# MINNESOTA • REVENUE

## INDIVIDUAL INCOME TAX Angel Investment Tax Credit

February 1, 2013

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F 131 (Chamberlain) / H.F. 236 (Anderson, S.)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2014</u></b>	<b><u>F.Y. 2015</u></b>	<b><u>F.Y. 2016</u></b>	<b><u>F.Y. 2017</u></b>
General Fund	(\$5,000)	(\$5,000)	\$0	\$0

The increased allocation of the angel investment tax credits effective for tax years 2013 and 2014. Changes to the requirements for small businesses effective for certifications after June 30, 2013.

### EXPLANATION OF THE BILL

The angel investment tax credit is the commonly-used name for a provision identified in statute as the small business investment tax credit. The refundable individual income tax credit is equal to 25% of the investment made in a qualified small business. The maximum credit for a tax year is \$250,000 for a married couple filing a joint return and \$125,000 for other filers.

The investment can be made directly by a qualified taxpayer or through a qualified angel investment network fund that invests in a qualified small business. The law specifies the requirements for the investor, the investment fund, the investment, and the small business. For tax years 2011 through 2014, current law limits the amount of tax credit that can be allocated to \$12 million per tax year.

The bill would increase the tax credit allocated for tax years 2013 and 2014 from \$12 million to \$17 million per year. The bill makes several changes to the requirements for being a qualified small business. One of these changes makes an exception to the general rule that a qualified small business must be not in operation for more than 10 years. The requirement is increased to 20 years if a business is engaged in the development or production of medical devices or pharmaceuticals.

### REVENUE ANALYSIS DETAIL

- It is assumed that the maximum \$17 million in credits would be approved for each tax year.
- Tax year impact is allocated to the following fiscal year.

Source: Minnesota Department of Revenue  
Tax Research Division

[http://www.revenue.state.mn.us/research\\_stats/Pages/Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)

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