

# MINNESOTA • REVENUE

## INDIVIDUAL INCOME TAX Angel Investment Tax Credit

March 11, 2013

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of H.F. 329 (Simonson) /S.F. 226 (Koenen)

	<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	\$0	\$0	\$0	\$0

(000's)

Effective beginning with tax year 2013.

### EXPLANATION OF THE BILL

**Current Law:** 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.

**Proposed Law:** If the qualified small business is located in greater Minnesota, the tax credit would be increased to 50% of the investment made in a qualified small business. The bill defines greater Minnesota as the portion of the state outside the seven-county metro area. If the qualified small business is located in the seven-county metro area, the tax credit would remain at 25% of the investment.

### REVENUE ANALYSIS DETAIL

- Although the dollar amount of tax credits for some investors may change, it is assumed the maximum amount of tax credits authorized will continue to be allocated.

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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