

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Angel Investment Tax Credit

March 21, 2013

Department of Revenue
Analysis of H.F. 996 (Green)

	Yes	No
DOR Administrative Costs/Savings		X

	<u>Fund Impact</u>			
	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
General Fund	\$0	\$0	\$0	\$0

(000's)

Changes to the requirements for small businesses are generally effective for certifications after June 30, 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: The bill would require the Department of Employment and Economic Development to develop a plan to increase the awareness and usage of the angel investment tax credit for investments in Greater Minnesota, with a goal that a minimum of 30% of the credit would be awarded for those investments in the second half of 2014 and following years. If the 30% goal is not reached for the second half of 2014, the tax credit percentage would be increased to 40% of the investment made in a greater Minnesota business, beginning with investments made after December 31, 2013.

The bill also 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

- The revised requirements for a qualified small business do not affect the amount of tax credits issued.

Source: Minnesota Department of Revenue
Tax Research Division
[www.revenue.state.mn.us/research_stats/Pages/
Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)