

# MINNESOTA • REVENUE

## INDIVIDUAL INCOME TAX Angel Investment Tax Credit

March 8, 2013

Department of Revenue  
Analysis of S.F. 285 (Nelson) 1<sup>st</sup> Engrossment

	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>
			(000's)	
General Fund Total	(\$15,000)	(\$5,000)	(\$17,000)	\$0

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 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 an eligible business.

**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 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.

The bill would increase the tax credit allocated for tax years 2011 through 2014 from \$12 million to \$17 million per year. Also, the bill would allocate \$17 million of tax credits to tax year 2015. Under current law, no tax credits are allocated to tax year 2015.

### REVENUE ANALYSIS DETAIL

- Sources at the Department of Employment and Economic Development indicate there is enough demand to fully use the additional allocation of tax credits.
- The revenue loss in fiscal year 2014 reflects an additional allocation of tax credits from tax years 2011 through 2013.
- Except for fiscal year 2014, the 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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