MINNESOTA · REVENUE

INDIVIDUAL INCOME TAX
Angel Investment Tax Credit

March 11, 2013

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F 730 (Bonoff) 1st Engrossment

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
		(000's)		
General Fund	($8,000)	($8,000)	$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

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 increase the tax credit allocated for tax years 2013 and 2014 from $12 million to $20 million per year. The bill makes several changes to the requirements for being a qualified small business. One of these changes is prohibition on liquation within 180 days after receiving a qualified investment.

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

- It is assumed that the maximum $20 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

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