

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Angel Investment Tax Credit

March 12, 2014

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue

Analysis of H.F. 2268 (Rosenthal) As Proposed to be Amended (H2268A1)

	<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	\$0	\$0	(\$20,000)	(\$20,000)

Effective beginning with tax year 2015.

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. There is no allocation after tax year 2014.

Proposed Law: The bill would provide continuing yearly allocation of tax credits. The allocation would be \$20 million per tax year. The continuing allocation would begin in tax year 2015 and would continue for all tax years beyond tax year 2105.

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
[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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