

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Greater Minnesota Angel Investment Tax Credit

March 12, 2014

Department of Revenue
Analysis of H.F. 2633 (Norton) / S.F. 2297 (Sparks)

	Yes	No
DOR Administrative Costs/Savings	X	

	Fund Impact			
	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
General Fund	\$0	(\$5,000)	\$0	\$0

Effective beginning with tax year 2014.

EXPLANATION OF THE BILL

The bill provides for a Greater Minnesota angel investment credit, similar to the angel investment credit under current law. The angel investment credit is available for businesses everywhere in the state. The proposed credit is available for businesses located in Greater Minnesota. Greater Minnesota is defined as the area of the state outside the seven-county metropolitan area. There is a one-time credit allocation of \$5 million.

The credit would be a refundable individual income tax credit equal to 50% of the investment made in a qualified small business. In contrast the statewide credit has a tax credit rate of 25%. 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 bill specifies the requirements for all aspects of the program, including the types of businesses that would qualify for investment.

REVENUE ANALYSIS DETAIL

- It is assumed that the entire \$5 million in credits would be approved in tax year 2014.
- 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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