

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. 2856 (Lenczewski) As Proposed to Amended (H2856A1)

	<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	(\$15,000)	(\$15,000)

(000's)

Effective for tax years 2015 and 2016.

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 an allocation of tax credits for tax year 2015 and 2016. The allocation would be \$15 million per tax year. The bill reserves \$3 million of the annual credit allocation for investments in greater Minnesota and minority-owned and women-owned businesses. Reserved credits not allocated by September 30th each year are available to other qualifying investments.

REVENUE ANALYSIS DETAIL

- It is assumed that the maximum \$15 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

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