

April 2, 2019

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 788 (Anderson, P.), 1st Engrossment

	Fund Impact			
	<u>F.Y. 2020</u>	<u>F.Y. 2021</u>	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>
	(000's)			
General Fund	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)

Effective beginning with tax year 2019.

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, which expired after tax year 2017, was equal to 25% of the investment made in a qualified small business. The maximum credit for a tax year was \$250,000 for a married couple filing a joint return and \$125,000 for other filers. The investment could 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.

The last credit allocation was \$10 million for tax year 2017. During the first nine months of each year, 50% of the annual credit allocation (\$5 million) was reserved first for investments in greater Minnesota and for minority- or women-owned qualified small business. Any remaining credit allocation not claimed by the above groups were available to other qualifying investments.

Due to the sunset provision in the law, there are no allocations of credits beyond tax year 2017.

Proposed Law: The bill repeals the sunset provision in current law and makes a permanent allocation of \$20 million per tax year beginning with tax year 2019. Applications for the credit must be made available on the Department of Employment and Economic Development’s website within 30 days following final enactment.

REVENUE ANALYSIS DETAIL

- For tax year 2019 and beyond, it is assumed that the total allocation per tax year, \$20 million, would be used every year.
- Tax year impacts are allocated to the following fiscal year.

Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research/stats/Pages/Revenue-Analyses.aspx