

March 10, 2021

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1314 (Nelson) As Proposed to be Amended (SCS1314A-1)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
		(000's)		
General Fund	\$0	(\$20,000)	(\$20,000)	(\$20,000)

Effective beginning in tax year 2022.

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.

Current law limits the maximum credit to \$10 million for tax years 2019 and 2021 only.

Proposed Law:

The bill expands the credit to a maximum of \$20 million for each taxable year after 2021 and repeals the sunset provision.

REVENUE ANALYSIS DETAIL

- It is assumed that the maximum credit would be allocated per year.
- Tax year impact is allocated to the following fiscal year.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>