

March 8, 2023

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 1813 (Norris) / S.F. 1874 (Rest)

	Fund Impact			
	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
	(000's)			
General Fund	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)

Effective for tax years 2023 through 2026.

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. No more than \$1 million in credits can be allocated to any one qualified small business over all taxable years.

Current law limits the maximum credit to \$10 million for tax year 2021 and \$5 million for tax year 2022, after which the credit is set to expire.

Proposed Law: The bill would extend the credit for tax years 2023 through 2026, with a maximum credit of \$10 million each year.

REVENUE ANALYSIS DETAIL

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

Number of Taxpayers: Approximately 500 returns claimed the credit in tax year 2021.

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