

Qualifying Business and Community- Based Seed Capital Fund Tax Credit



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Angel Investor Tax Credit Program

- » Program Overview
- » Program Proposals

Angel Investor Tax Credit Program

- » Available for investors in either a Qualifying Business or Community-Based Seed Capital Fund
- » Tax credit is equal to 20% of an investor's equity investment
- » \$2 million available every fiscal year
- » Investment must be in the form of cash for equity or near equity

Angel Investor Tax Credit Program

- » Maximum amount per investor for one investment is \$50,000; investors are maxed out at \$250,000 for 5 investments
- » Must wait 3 years to redeem tax credit certificate for investments made in 2011-2013;
- » SF 2359 eliminated the 3 year delay to claim tax credits for investments in Qualifying Businesses
- » Angel Investor tax credits are not transferable or refundable

Angel Investor Tax Credit Program

- » A Qualifying Business has . . .
 - Its principal place of business in Iowa
 - Been in operation for 6 years or less
 - Has an owner who has training or experience that increases the probability of the business's success
 - A net worth of \$5 million or less at the time the qualifying investment was made

- » Qualifying Business must secure \$250,000 in equity financing within 2 years

- » Certain types of businesses are excluded

Angel Investor Tax Credit Program

- » A Community-Based Seed Capital Fund . . .
 - Is organized as a limited partnership or limited liability company
 - Has a total of capital commitments from investors and investments in Qualifying Businesses of at least \$125,000, not more than \$3 million
 - There are exceptions for Rural Business Investment Programs
 - Must have at least five investors that are not affiliates and no single investor and affiliates of that investor can own more than 25 percent of the membership interests

Angel Investor Tax Credit Program

» A Community-Based Seed Capital Fund . . .

- Must have invested at least 33 percent of its invested capital in one or more separate qualifying businesses within 48 months of the fund beginning its investment activities
- 3 year delay to claim investments in Seed Capital Funds is still in effect

Angel Investor Tax Credit Program

- » Businesses and seed capital funds must be certified and registered before investments are eligible for tax credits
- » Investors separately submit an application based on investment amount
- » Credits are issued on a first come, first serve basis

Angel Investor Tax Credit Program

Year	Tax Credit Utilization
2011	\$469,814
2012	\$936,530
2013	\$550,585

PROPOSED CHANGES FOR 2015

Angel Investor Tax Credit Program

State	Credit %	Funding Level	Caps	Features
Wisconsin	25%	\$20.5M annually	\$2M per company	Transferable
Minnesota	25%	\$12M annually	\$1M per company	Refundable
Nebraska	35% , 40% if in a distressed	\$3M annually	\$1M per company	Refundable
Illinois	25%	\$10M annually	\$1M per company	Not refundable, not transferable
Iowa	20%	\$2M annually	\$250,000 per taxpayer	Not transferable, not refundable

Angel Investor Tax Credit Program

- » Increase credit percentage from 20% to 25%
 - Wisconsin, Minnesota, Illinois, and Nebraska are all at 25% or above
- » Make credits refundable but **not** transferrable
- » Target the funding on businesses that fall between the Demonstration Fund and the Innovation Fund Tax Credits by focusing the credits on individual angel investors and not institutions
- » Streamline eligibility

Angel Investor Tax Credit Program

- » Eliminate community-based seed capital funds
 - Investors can continue to pool investments through LLCs and LLPs and claim investments in the same businesses more efficiently
- » Cap individual credit level at \$100,000 per taxpayer per year and simplify cap structure
- » Carryforward period reduced from five year to three years to reduce future liabilities

Angel Investor Tax Credit Program

» Questions?