



## **Innovation Fund Tax Credit**

Jenny Klein | Legislative Liaison & Compliance Counsel | Iowa Economic Development Authority



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# PROGRAM OVERVIEW



# LEGISLATIVE PROPOSALS

# Program Overview

- Tax credit is available to investors who invest in a certified Innovation Fund
- Investment must be in the form of cash for equity
- 25% of investor's equity investment
- \$8 million available every fiscal year
- Tax credit is transferable one time; has five year carryforward
- Investors cannot receive credit for same investment in a qualifying business

# Changes in 2013 Session

- Prior to 2013 legislative session no Innovation Funds sought certification and no credits were issued
- 2013 legislative changes
  - Changed tax credit from 20% to 25% of their equity investment in a certified Innovation Fund
  - Statute was changed to allow taxpayers to claim the tax credit for the tax year in which the investment is made rather than waiting for three tax years after the investment was made
  - Tax credit made transferable one time
  - Additional eligibility requirements added for Innovation Fund certification

# Eligibility Requirements

- Must invest in businesses with a principal place of business in Iowa that are:
  - Early-stage companies; or
  - Innovation businesses: advanced manufacturing, biosciences, or information technology
- Must seek to secure private funding sources for its investments
- Must provide multiple rounds of funding and early-stage private sector funding to innovative businesses with a high growth potential
- Must focus on businesses that show a potential to produce commercially viable products or services within a reasonable period of time

# Eligibility Requirements

- Must evaluate all prospective investments using a rigorous approach
- Must have a collaborative relationship with the Regents institutions and work to potentially commercialize research developed at Regents institutions and work to potentially commercialize research developed at Regents institutions
- The fund should also have a collaborative relationship with IEDA and other state and local development entities
- Must obtain at least \$15 million in binding investment commitments within a year of certification and it must invest at least \$15 million in Iowa companies

# Certified Innovation Funds

- Next Level Ventures Fund I, LLLP
- River Glen Capital Partners



JUNE

SUNSET DATE  
FOR CERTIFICATION OF NEW FUNDS

**JUNE 30, 2018**

# Proposed Changes

- Sunset date for certification of new funds – propose extending the sunset date another five years from June 30, 2018 to June 30, 2023
- Propose shifting some of the \$8 million per fiscal year allocation to Angel Investor Tax Credits

Questions?



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