

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 355

**DATE:** April 2, 2003

**Version:** As introduced

**Authors:** Dorman and others

**Subject:** Regional investment credit

**Analyst:** Joel Michael, 651-296-50570

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### Overview

This bill provides an income and corporate franchise tax credit for equity investments in regional funds that invest in emerging companies. The credit equals 25 percent of the investment and is capped at \$250,000 per fund. Funds must be certified by the Department of Trade and Economic Development to qualify. The total amount of credits is capped at \$2.5 million.

### Section

- 1** **Regional angel investment credit.** Allows an individual income and corporate franchise tax credit equal to 25 percent of the amount invested in a qualifying regional angel investment network (RAIN) fund. The credit applies against both the regular and alternative minimum taxes. It is limited to the amount certified by the commissioner of the Department of Trade and Economic Development (DTED). The fund must provide a credit certificate to the investor for the investor to claim the credit.

Funds must meet the following qualifications:

- ▶ Be a limited liability company whose members qualify as accredited investors under the SEC Regulation D (essentially certain corporate investors or individuals with high net worths (\$1 million or more) or high incomes (\$200,000 or more per year in the last two years or \$300,000 per year for a married couple in the last two years)
- ▶ Have a member who is a certified community development financial institution
- ▶ Primarily make equity investments in emerging companies located outside of

the seven-county Twin Cities metropolitan area

- ▶ Be certified by DTED

The commissioner of DTED may certify up to 10 funds and provide credit certificates of up to \$250,000 to each fund (for a total limit on certificates of \$2.5 million). The commissioner is directed to certify funds that are broadly dispersed across the state.

If the credit exceeds the taxpayers' liability for tax, a 15-year carryover of the credit to later taxable years is provided.

The section is effective beginning for tax year 2003 and applies only to investments made after the certification of the fund by DTED.