

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 2856

**DATE:** March 12, 2014

**Version:** With author's amendment (H2856A1)

**Authors:** Lenczewski

**Subject:** Angel investment credit extended, amount reserved for greater Minnesota

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### Overview

Extends the small business investment credit (“angel credit”) for two years at \$15 million per year and reserves \$3 million of the annual credit allocation for investments in greater Minnesota and minority- and women-owned businesses. Reserved credits not allocated by September 30<sup>th</sup> are available for allocation to other qualifying investments. Disqualifies from receiving credits investments made by individuals who control at least 20 percent of the voting stock in the business, either on their own or in combination with family members.

**Background.** The angel investment credit provides qualified investors in certified small businesses with a refundable income tax credit equal to 25 percent of their investments up to a maximum of \$125,000 (\$250,000 for married joint filers). The credit took effect for tax year 2010 and under current law expires for investments made after tax year 2014.

### Section

- 1 **Definitions.** Provides a new definition of qualified greater Minnesota business, by reference to requirements in section 116J.8727, subdivision 2 (section 2 of the bill).
- 2 **Certification of small business.** Requires a qualified greater Minnesota business to meet all the requirements for a qualified small business, and also must
  - ▶ have its headquarters in greater Minnesota, defined by reference as outside the seven-county metro area plus the portions of the cities of Northfield, Hanover, Rockford, and New Prague that are within the seven-county metro area.

**Section**

- ▶ have at least 51 percent and pays or incurs at least 51 percent of its payroll in greater Minnesota

**3**      **Small business investment credit.** Extends the credit for two years, through tax year 2016, at \$15 million per year. Provides that \$3 million of the annual allocation be reserved for investments in minority- and women-owned businesses and qualified greater Minnesota businesses through September 30<sup>th</sup>, with reserved amounts not allocated made available for investments outside greater Minnesota on October 1<sup>st</sup>.

Disqualifies from receiving the credit investments made by individuals who control, either on their own or in combination with family members, at least 20 percent of the outstanding voting stock in the business. Family members is defined by reference to the Internal Revenue Code to mean ancestors, descendants, and siblings, including half-siblings.

**4**      **Revocation of credits.** Updates a cross-reference to clarify that investments in qualified greater Minnesota businesses are subject to revocation under the same conditions as investments in qualified small businesses under current law.

**5**      **Annual reporting.** Updates a cross-reference to clarify that qualified greater Minnesota businesses are subject to the same annual reporting requirements as apply to qualified small businesses under current law.

**6**      **Sunset.** Extends the credit sunset by two years, through tax year 2016, and makes corresponding two year extension in reporting requirements, revocation of credits, and the carryover of appropriations in the case of unused credit allocations.