

HOUSE RESEARCH

Bill Summary

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Authors: Green and others

Subject: Small business investment credit modifications; promotion of credit in greater Minnesota

Analyst: Nina Manzi (651) 296-5204
Joel Michael (joel.michael@house.mn)
Anita Neumann

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Overview

Modifies the angel investment credit by:

- increasing the credit rate for investments in greater Minnesota businesses to 40 percent if less than 30 percent of credits in the previous year are awarded in greater Minnesota;
- increasing the number of years in which a business may have been in operation from 10 to 20 for businesses engaged in developing drugs that require FDA approval;
- prohibiting investments from qualifying for the credit if the business made a public stock offering before receiving the investment;
- prohibiting businesses receiving creditable investment from making a public stock offering or selling the business within six months after the investment was made; and
- allowing contact information on the businesses receiving the credit to be disclosed to the public.

Section

- 1** **Angel credit; definitions.** Provides a new definition of “liquidation event” as a conversion of a qualified investment to cash, cash and other considerations, or any other form of debt or equity interest.

Effective date: Effective for businesses certified after June 30, 2013.

Section

2 Angel credit; qualifying small business. Makes several changes in the requirements that a small business must satisfy for the business and investments in it to qualify under the angel investment credit:

- Extends the number of years in which a business may have been in operation from ten to 20 in the case of businesses engaged in researching, developing, or producing drugs that require U.S. Food and Drug Administration approval;
- Prohibits the business from having its securities trade on a public stock exchange prior to the investment being made and within 180 days of the date of the investment; and
- Prohibits the business from having a liquidation event, defined in section 1, within 180 days of the date the investment qualifying for the credit was made.

Effective date: The change related to businesses engaged in developing drugs that require FDA approval is effective the day following final enactment; the other changes are effective for businesses certified after June 30, 2013.

3 Promotion of angel credit in greater Minnesota. Requires the commissioner of DEED to develop a plan to promote usage of the angel credit in greater Minnesota, with the goal of awarding 30 percent of credits to investments in greater Minnesota businesses during the second half of calendar year 2014 and following years. If the 30 percent target is not achieved in the second half of 2014 or in any following year, then the credit rate is increased from 25 percent to 40 percent for the next calendar year for investments in greater Minnesota businesses.

Defines “greater Minnesota business” as a business that has its headquarters and at least 51 percent of its employees and payroll outside the seven-county metro area, but includes the entire area of cities that are partly in the seven-county metro area, and partly in other counties (Hanover, New Prague, Northfield, and Rockford).

4 Angel credit, permitted disclosure. Modifies the exemption from the Data Practices Act for disclosure of information on the businesses that receive investments qualifying for the angel credit. Under present law, only the name of the qualified business may be disclosed. This section would allow the mailing address, telephone number, e-mail address, contact person’s name, and industry type to also be disclosed.

Effective date: Effective the day following final enactment.