



General Assembly
January Session, 2009

Raised Bill No. 883

LCO No. 3244

03244_____CE_

Referred to Committee on Commerce

Introduced by:

(CE)

AN ACT ESTABLISHING TAX CREDITS FOR ANGEL INVESTORS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective July 1, 2009, and applicable to income years commencing on or after January 1, 2009*) (a) As used in this section:

- (1) "Angel investor" or "investor" means an accredited investor, as defined by the Securities and Exchange Commission, who may seek active involvement, such as consulting and mentoring, in a business, such as consulting and mentoring, but "angel investor" or "investor" does not include (A) persons controlling fifty per cent or more of the Connecticut business invested in by the angel investor or investor, (B) a Connecticut venture capital company, or (C) any bank, bank and trust company, insurance company, trust company, national bank, savings association or building and loan association for activities that are a part of its normal course of business;
- (2) "Cash investment" means money or money equivalent in consideration for qualified securities;
- (3) "Connecticut business" means any business owned by an individual or a partnership, association or corporation, and domiciled in Connecticut, or any corporation, even if a wholly-owned subsidiary of a foreign corporation, that does business primarily in Connecticut, or does substantially all of such business's production in Connecticut;
- (4) "Qualified securities" means (A) any form of equity, including a general or limited partnership interest, common stock, preferred stock, with or without voting rights, without regard to seniority position and whether or not convertible into common stock, any form of subordinate or convertible debt, or both, with warrants or other means of equity conversion attached; or (B) a debt instrument, including a note or debenture that is secured or unsecured,

subordinated to the general creditors of the debtor and requiring no payments of principal, other than principal payments required to be made out of any future profits of the debtor, for at least a seven-year period after commencement of such debt instrument's term.

(b) There shall be allowed a credit against the tax imposed under chapter 229 of the general statutes for a cash investment in the qualified securities of a Connecticut business by an angel investor. The credit shall be in an amount equal to thirty-five per cent of such investor's cash investment, provided no credit shall be greater than one hundred twenty-five thousand dollars. The credit shall be taken in the year in which such cash investment is made by the angel investor.

(c) To be an eligible cash investment qualifying for a tax credit pursuant to this section, such investment shall be in a business that (1) has been approved as a qualified Connecticut business pursuant to subsection (d) of this section, (2) has had annual gross revenues of less than five million dollars in the most recent income year of the business, (3) has fewer than twenty-five employees, more than half of whom reside in this state, (4) has been operating in this state for less than ten consecutive years, (5) is primarily owned by the management of the business and their families, and (6) received less than one million dollars in the tax credits provided by this section. No investor may claim a credit pursuant to this section for cash investments in Connecticut Innovations, Inc.

(d) (1) A Connecticut business may apply to the Commissioner of Economic and Community Development for approval as a Connecticut business qualified to receive cash investments eligible for tax credits pursuant to this section. The application shall include (A) the name of the business and a copy of the organizational documents of such business; (B) a business plan, including a description of the business and the management, product, market and financial plan of the business; (C) a statement of the business innovative and proprietary technology, product or service; (D) a statement of the potential economic impact of the enterprise, including the number, location and types of jobs expected to be created; (E) a description of the qualified securities to be issued, the consideration to be paid for the qualified securities, the amount of any tax credits requested and the earliest year in which such tax credits may be redeemed; (F) a statement of the amount, timing and projected use of the proceeds to be raised from the proposed sale of qualified securities; and (G) such other information as said commissioner may require.

(2) The Commissioner of Economic and Community Development shall, on or before August 1, 2009, and monthly thereafter, compile a list, categorized by estimated amount of tax credit and type of qualified securities offered, submitted by qualified Connecticut businesses. Any angel investor that intends to provide a cash investment to a business on such list may apply to the Commissioner of Revenue Services to reserve a tax credit in the amount indicated by such investor. The aggregate amount of all tax credits which may be reserved by the Commissioner of Revenue Services shall not exceed ten million dollars in any one fiscal year.

(e) (1) The amount of such credit allowed to any investor pursuant to this section shall not exceed the amount of tax due from such investor under chapter 229 of the general statutes with respect to such taxable year. Any tax credit not used in the taxable year during which the

cash investment was made may be carried forward for the five immediately succeeding taxable years until the full credit has been allowed.

(2) Any credit allowed pursuant to this section may be sold, assigned or otherwise transferred, in whole or in part, to one or more taxpayers, and such taxpayers may sell, assign or otherwise transfer, in whole or in part, such credit. If an investor sells, assigns or otherwise transfers a credit to another taxpayer, the transferor and transferee shall jointly submit written notification of such transfer to the Commissioner of Revenue Services not later than thirty days after such transfer. If such transferee sells, assigns or otherwise transfers a credit under this section to a subsequent transferee, such transferee and such subsequent transferee shall jointly submit written notification of such transfer to the Commissioner of Revenue Services not later than thirty days after such transfer. The notification after each transfer shall include the credit certificate number, the date of transfer, the amount of such credit transferred, the tax credit balance before and after the transfer, the tax identification numbers for both the transferor and the transferee, and any other information required by the Commissioner of Revenue Services. Failure to comply with this subdivision shall result in a disallowance of the tax credit until there is full compliance on the part of the transferor and the transferee and for a second transfer, on the part of the transferee, and the subsequent transferee.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2009, and applicable to income years commencing on or after January 1, 2009</i>	New section

Statement of Purpose:

To increase entrepreneurial activity in Connecticut by providing a tax credit to angel investors who make investments in very new businesses.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]