

Comparison of Angel Investment Tax Credit Programs

States of North Dakota, Minnesota, and Connecticut

	North Dakota	Minnesota	Connecticut
Amount of credit	45% of investment(s), up to \$45,000/year	25% of investment(s), up to \$125,000/year	25% of investment(s), up to \$250,000/year
Qualified investment	<ul style="list-style-type: none"> • Cash (no minimum or maximum) • Purchase of ownership interest • 3-year holding period requirement 	<ul style="list-style-type: none"> • Cash of at least \$10,000 (\$30,000, if fund) • Purchase of ownership interest • 3-year holding period requirement 	<ul style="list-style-type: none"> • Cash of at least \$100,000 • Purchase of ownership interest
Eligible investor	Individual, trust, or corporation that is an accredited investor	<ul style="list-style-type: none"> • Certified by MN Department of Employment & Economic Development (DEED) • Individual only who is an accredited investor, or certain unaccredited investors • Passthru entity owned by 3 or more such individuals ("fund") 	<ul style="list-style-type: none"> • Certified by CT Innovations, Inc. • Any taxpayer that is an accredited investor, including passthru entity, but not a bank or venture capital corporation
Qualified business or fund <i>in which investment must be made to qualify for credit</i>	<p>Unlike Minnesota or Connecticut, the tax credit is an incentive to invest in an angel fund—see Angel fund certification below.</p> <p>While the purpose for creating the angel fund must be to invest in at least 3 early-stage or mid-stage private, nonpublicly traded businesses with growth potential, there is no other restriction on the type of business the angel fund may invest in, including non-North Dakota businesses. An angel fund may not invest in a business in which any of fund member holds an ownership interest of 50% or more.</p>	<p>Investment must be made in business certified by MN DEED—</p> <ul style="list-style-type: none"> • Headquartered in MN • In business less than 10 years • Less than 25 employees, over 50% of whom are in MN • Annual wages at least 175% of the federal poverty level for a family of 4 • Received less than \$2 million in private equity investment • Engaged in high technology field, or development of new technology for use in fields of agriculture, tourism, forestry, mining, manufacturing, or transportation 	<p>Investment must be made in business certified by CT Innovations—</p> <ul style="list-style-type: none"> • Principal operation in CT • Operated in CT less than 7 years • Primarily owned by management • Less than 25 employees, over 75% of whom are in CT • Gross revenue less than \$1 million in most recent year • Engaged in bioscience, advanced materials, photonics, information technology, clean technology or other emerging technology

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	<p>Angel fund certification To be eligible for the program, an angel fund must be certified by the ND Commerce Department—</p> <ul style="list-style-type: none"> • For-profit partnership, corporation, LLC, or trust • Located in ND • Consists of at least 6 accredited investors, of which no one investor owns more than 25% of fund's capitalized investments • Has a minimum of \$500,000 in commitments from its investors • Is managed by fund's members 		
Tax certificates	Not applicable; an eligible investor calculates the tax credit and claims it on the ND income tax return.	<p>Step 1—Investor applies to MN DEED to reserve tax credits corresponding to intended investment</p> <p>Step 2—Reservation valid for 60 days, during which investor must complete investment</p> <p>Step 3—Upon completing investment, both the investor and qualified business must notify MN DEED</p> <p>Step 4—MN DEED issues credit certificate(s)</p>	<p>Step 1—Investor applies to CT Innovations to reserve tax credits corresponding to intended investment</p> <p>Step 2—Reservation valid for 45 days, during which investor must complete investment</p> <p>Step 3—Upon completing investment, both the investor and qualified business must apply to CT Innovations for credit certificate</p> <p>Step 4—CT Innovations issues credit certificate(s)</p>
Limit on tax credits per qualified business	Lifetime limit of \$5 million of tax credits per angel fund	Lifetime limit of \$1 million of tax credits per qualified business	No limit per qualified business

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Limit on tax credits under program	Not applicable	<ul style="list-style-type: none"> • \$11,000,000 for 2010 year • \$12,000,000/year for 2011 through 2014 	<ul style="list-style-type: none"> • \$6 million/year for fiscal years ending in 2011, 2012, and 2013 • \$3 million/year for fiscal year ending in 2014
Unused credit	4-year carryover	Refundable	5-year carryover
Transfer of credit	Not transferable	Not transferable	Not transferable
Recapture of credit	No recapture provision; however, under normal audit and assessment processes, tax credit can be disallowed in whole or part if any requirement is not met.	Either investor or qualified business may have to repay credit for failure to satisfy 3-year holding period or employment and payroll requirements, respectively. For a qualified business, the required repayment is reduced from 100% to 0% for the 6-year period following the investment year.	No recapture provision; however, under normal audit and assessment processes, tax credit can be disallowed in whole or part if any requirement is not met.
Annual reporting requirement	Not applicable	Each investor and qualified business must submit an annual report verifying they continue to satisfy their respective eligibility conditions.	Not applicable
Credit evaluation	Not applicable	Reports must be provided to the legislature on investment activity and impact of tax credit on MN economy.	A report on the effectiveness of the tax credit must be provided to the legislature.
Sunset	Not applicable	Tax credit does not apply after 2014 tax year.	Tax credit does not apply after July 1, 2014.

Joseph Becker, Office of State Tax Commissioner, July 2010