

# North Dakota Investment Tax Credits



**Ryan Rauschenberger**  
**Deputy Tax Commissioner**



# Investment Tax Credits

## Seed Capital Investment Credit

- Allowed for investing in a business certified by the Department of Commerce division of Economic Development and Finance
- Investment may consist of direct cash or a transfer from a retirement plan for which the investor controls where the plan's assets are invested



# Investment Tax Credits

## Seed Capital Investment Credit

- Available to
  - Individuals
  - Estates
  - Trusts
  - Partnerships
  - Corporations
  - Limited Liability Companies



# Investment Tax Credits

## Seed Capital Investment Credit

- Credit is equal to 45% of the investment
- No more than \$112,500 of the credit may be used in any year
- Unused credits may be carried forward 4 years



# Investment Tax Credits

## Seed Capital Investment Credit

- Only the first \$500,000 of investments in the business are eligible
- Total credits allowed for investments made in ALL certified businesses in any calendar year is limited to \$3.5 million



# Investment Tax Credits

## Seed Capital Investment Credit

- Entire amount of investment for which a credit is claimed must be used for:
  - Plant
  - Equipment
  - Research and development
  - Marketing and sales activity
  - Working capital



# Investment Tax Credits

## Seed Capital Investment Credit

- Investment in the business must be at risk for at least three years
- A taxpayer who owns controlling interest in the qualified business is not eligible for the credit



# Investment Tax Credits

## Angel Fund Investment Credit

- Allowed for investing in an angel fund in North Dakota certified by the Department of Commerce Division of Economic Development and Finance





# Investment Tax Credits

## Angel Fund Investment Credit

- Credit is equal to 45% of the investment
- Maximum of \$45,000 per year
- Unused credits may be carried forward 4 years



# Investment Tax Credits

## Angel Fund Investment Credit

- A taxpayer claiming this credit may not claim any credit available to the taxpayer from an investment made by the angel fund in a business for the purposes of the seed capital credit or ag commodity processing credit



# Investment Tax Credits

## NEW Definition of an Angel Fund

- Partnership, limited partnership, corporation, limited liability company, limited liability partnership, trust or estate
- Organized to invest in at least three non-publicly traded early stage companies
- Consist of at least six accredited investors
- Have no more than 25% of its capital assets owned by one investor



# Investment Tax Credits

## NEW definition of an angel fund

- Have at least \$500,000 in commitments from accredited investors
- Be member-managed
- Be certified as an angel fund by the Department of Commerce



# Investment Tax Credits

## Angel Fund Restrictions

- Angel fund may not invest in any enterprise if any one angel fund investor owns more than 49% of the business
- Investors in one angel fund are limited to a total of \$5 million in aggregate credits for the life of the fund



# Contact Us

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