



General Assembly

February Session, 2008

Raised Bill No. 549

LCO No. 2487

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Referred to Committee on Commerce

Introduced by:

(CE)

AN ACT CONCERNING AN ENTREPRENEURSHIP TAX CREDIT PROGRAM.

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

1 Section 1. (NEW) (*Effective July 1, 2008, and applicable to income years*
2 *commencing on or after January 1, 2008*) (a) As used in this section:

3 (1) "Angel investor" or "investor" means an accredited investor, as
4 defined by the Securities and Exchange Commission, who may seek
5 active involvement in the business, such as consulting and mentoring,
6 but "angel investor" or "investor" does not include (A) persons
7 controlling fifty per cent or more of the Connecticut business invested
8 in, (B) a Connecticut venture capital company, or (C) any bank, bank
9 and trust company, insurance company, trust company, national bank,
10 savings association or building and loan association for activities that
11 are a part of its normal course of business;

12 (2) "Cash investment" means money or money equivalent in
13 consideration for qualified securities;

14 (3) "Connecticut business" means any business owned by an

15 individual or a partnership, association or corporation, and domiciled
16 in Connecticut, or any corporation, even if a wholly-owned subsidiary
17 of a foreign corporation, that does business primarily in Connecticut,
18 or does substantially all of such business's production in Connecticut;

19 (4) "Qualified securities" means (A) any form of equity, including a
20 general or limited partnership interest, common stock, preferred stock,
21 with or without voting rights, without regard to seniority position and
22 whether or not convertible into common stock, any form of
23 subordinate or convertible debt, or both, with warrants or other means
24 of equity conversion attached; or (B) a debt instrument, including a
25 note or debenture that is secured or unsecured, subordinated to the
26 general creditors of the debtor and requiring no payments of principal,
27 other than principal payments required to be made out of any future
28 profits of the debtor, for at least a seven-year period after
29 commencement of such debt instrument's term.

30 (b) There shall be allowed a credit against the tax imposed under
31 chapter 207, 208 or 229 of the general statutes for a cash investment in
32 the qualified securities of a Connecticut business by an angel investor.
33 The credit shall be in an amount equal to thirty-five per cent of such
34 investor's cash investment, provided no credit shall be greater than one
35 hundred fifty thousand dollars per angel investor per Connecticut
36 business. The credit shall be taken in the year in which such cash
37 investment is made by the angel investor.

38 (c) To be an eligible cash investment qualifying for a tax credit
39 pursuant to this section, such investment shall be in a business that (1)
40 has been approved as a qualified Connecticut business pursuant to
41 subsection (d) of this section, (2) has had annual gross revenues of less
42 than five million dollars in the most recent income year of the business,
43 (3) has fewer than twenty-five employees, more than half of whom
44 reside in this state, (4) has been operating in this state for less than ten
45 consecutive years, (5) is primarily owned by the management of the
46 business and their families, and (6) received less than one million

47 dollars in the tax credits provided by this section. No investor may
48 claim a credit pursuant to this section for cash investments in
49 Connecticut Innovations, Inc.

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

67 (2) The Commissioner of Economic and Community Development
68 shall, on or before August 1, 2008, and monthly thereafter, compile a
69 list, categorized by estimated amount of tax credit and type of
70 qualified securities offered, submitted by qualified Connecticut
71 businesses.

72 (3) At such time as a qualified Connecticut business on the list,
73 created pursuant to subdivision (2) of this subsection, has entered into
74 an agreement with an angel investor, such business shall notify the
75 Commissioner of Economic and Community Development of such
76 agreement, including the amount of the investment and information as
77 to the eligibility of the angel investor for a tax credit pursuant to this
78 section. Upon such notification, said commissioner shall reserve the

79 amount of the tax credit attributable to such agreement. The aggregate
80 amount of all tax credits that may be reserved for this program shall
81 not exceed twenty million dollars in any one fiscal year, except, that if
82 tax credits are reserved in an amount exceeding twenty million dollars,
83 said commissioner may allow the necessary portion of the twenty-
84 million dollar total from the succeeding fiscal year to be used for
85 credits reserved in the current fiscal year.

86 (4) The Commissioner of Economic and Community Development
87 shall notify the Commissioner of Revenue Services of the amount of
88 the tax credit that may be issued to an angel investor.

89 (e) (1) The amount of such credit allowed to any investor pursuant
90 to this section shall not exceed the amount of tax due from such
91 investor under chapter 207, 208 or 229 of the general statutes with
92 respect to such taxable year. Any tax credit not used in the taxable year
93 during which the cash investment was made may be carried forward
94 for the five immediately succeeding taxable years until the full credit
95 has been allowed.

96 (2) Any credit allowed pursuant to this section may be sold,
97 assigned or otherwise transferred, in whole or in part, to one or more
98 taxpayers, and such taxpayers may sell, assign or otherwise transfer, in
99 whole or in part, such credit. If an investor sells, assigns or otherwise
100 transfers a credit to another taxpayer, the transferor and transferee
101 shall jointly submit written notification of such transfer to the
102 Commissioner of Revenue Services not later than thirty days after such
103 transfer. If such transferee sells, assigns or otherwise transfers a credit
104 under this section to a subsequent transferee, such transferee and such
105 subsequent transferee shall jointly submit written notification of such
106 transfer to the Commissioner of Revenue Services not later than thirty
107 days after such transfer. The notification after each transfer shall
108 include the credit certificate number, the date of transfer, the amount
109 of such credit transferred, the tax credit balance before and after the
110 transfer, the tax identification numbers for both the transferor and the

111 transferee, and any other information required by the Commissioner of
112 Revenue Services. Failure to comply with this subdivision shall result
113 in a disallowance of the tax credit until there is full compliance on the
114 part of the transferor and the transferee and for a second transfer, on
115 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, 2008, and applicable to income years commencing on or after January 1, 2008</i>	New section

Statement of Purpose:

To establish a tax credit for angel investors who provide capital to start-up 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.]