



General Assembly

Substitute Bill No. 549

February Session, 2008

* SB00549CE_FIN031308 *

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 or corporation that
15 meets the criteria listed in subsection (c) of this section, and is a
16 business owned by an individual or a partnership, association or
17 corporation, and domiciled in Connecticut, or any corporation, even if
18 a wholly-owned subsidiary of a foreign corporation, that does business

19 primarily in Connecticut, or does substantially all of such business's
20 production in Connecticut;

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

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

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

51 (d) (1) A Connecticut business may contact the Commissioner of
52 Economic and Community Development for inclusion on a listing of
53 Connecticut businesses qualified to receive cash investments eligible
54 for tax credits pursuant to this section and section 2 of this act. The
55 information submitted to said commissioner shall include (A) the
56 name of the business and a copy of the organizational documents of
57 such business; (B) a business plan, including a description of the
58 business and the management, product, market and financial plan of
59 the business; (C) a statement of the business innovative and
60 proprietary technology, product or service; (D) a statement of the
61 potential economic impact of the enterprise, including the number,
62 location and types of jobs expected to be created; (E) a description of
63 the qualified securities to be issued, the consideration to be paid for the
64 qualified securities, the amount of any tax credits requested and the
65 earliest year in which such tax credits may be redeemed; (F) a
66 statement of the amount, timing and projected use of the proceeds to
67 be raised from the proposed sale of qualified securities; and (G) such
68 other information as said commissioner may request.

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

74 (3) At such time as a Connecticut business on the list created
75 pursuant to subdivision (2) of this subsection, has entered into an
76 agreement with an angel investor, such business shall notify the
77 Commissioner of Economic and Community Development of such
78 agreement, including the amount of the investment and information as
79 to the eligibility of the angel investor for a tax credit pursuant to this
80 section. Upon such notification, said commissioner shall reserve the
81 amount of the tax credit attributable to such agreement. The aggregate
82 amount of all tax credits that may be reserved pursuant to this section
83 and section 2 of this act shall not exceed twenty million dollars in any
84 one fiscal year, except, that if tax credits are reserved in an amount

85 exceeding twenty million dollars, said commissioner may allow the
86 necessary portion of the twenty-million dollar total from the
87 succeeding fiscal year to be used for credits reserved in the current
88 fiscal year.

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

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

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

118 the part of the transferee, and the subsequent transferee.

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

121 (1) "Angel investor" or "investor" means an accredited investor, as
122 defined by the Securities and Exchange Commission, who may seek
123 active involvement in the business, such as consulting and mentoring,
124 but "angel investor" or "investor" does not include (A) persons
125 controlling fifty per cent or more of the Connecticut business invested
126 in, (B) a Connecticut venture capital company, or (C) any bank, bank
127 and trust company, insurance company, trust company, national bank,
128 savings association or building and loan association for activities that
129 are a part of its normal course of business;

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

132 (3) "Connecticut business" means any business or corporation that
133 meets the criteria listed in subsection (c) of this section, and is a
134 business owned by an individual or a partnership, association or
135 corporation, and domiciled in Connecticut, or any corporation, even if
136 a wholly-owned subsidiary of a foreign corporation, that does business
137 primarily in Connecticut, or does substantially all of such business's
138 production in Connecticut;

139 (4) "Qualified securities" means (A) any form of equity, including a
140 general or limited partnership interest, common stock, preferred stock,
141 with or without voting rights, without regard to seniority position and
142 whether or not convertible into common stock, any form of
143 subordinate or convertible debt, or both, with warrants or other means
144 of equity conversion attached; or (B) a debt instrument, including a
145 note or debenture that is secured or unsecured, subordinated to the
146 general creditors of the debtor and requiring no payments of principal,
147 other than principal payments required to be made out of any future
148 profits of the debtor, for at least a seven-year period after
149 commencement of such debt instrument's term.

150 (b) There shall be allowed a credit against the tax imposed under
151 chapter 229 of the general statutes for a cash investment in the
152 qualified securities of a Connecticut business by an angel investor. The
153 credit shall be in an amount equal to thirty-five per cent of such
154 investor's cash investment, provided no credit shall be greater than one
155 hundred fifty thousand dollars per angel investor per Connecticut
156 business.

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

169 (d) (1) A Connecticut business may contact the Commissioner of
170 Economic and Community Development for inclusion on a listing of
171 Connecticut businesses qualified to receive cash investments eligible
172 for tax credits pursuant to this section and section 1 of this act. The
173 information submitted to said commissioner shall include (A) the
174 name of the business and a copy of the organizational documents of
175 such business; (B) a business plan, including a description of the
176 business and the management, product, market and financial plan of
177 the business; (C) a statement of the business innovative and
178 proprietary technology, product or service; (D) a statement of the
179 potential economic impact of the enterprise, including the number,
180 location and types of jobs expected to be created; (E) a description of
181 the qualified securities to be issued, the consideration to be paid for the
182 qualified securities, the amount of any tax credits requested and the
183 earliest year in which such tax credits may be redeemed; (F) a

184 statement of the amount, timing and projected use of the proceeds to
185 be raised from the proposed sale of qualified securities; and (G) such
186 other information as said commissioner may request.

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195 Commissioner of Economic and Community Development of such
196 agreement, including the amount of the investment and information as
197 to the eligibility of the angel investor for a tax credit pursuant to this
198 section. Upon such notification, said commissioner shall reserve the
199 amount of the tax credit attributable to such agreement. The aggregate
200 amount of all tax credits that may be reserved pursuant to this section
201 and section 1 of this act shall not exceed twenty million dollars in any
202 one fiscal year, except, that if tax credits are reserved in an amount
203 exceeding twenty million dollars, said commissioner may allow the
204 necessary portion of the twenty-million dollar total from the
205 succeeding fiscal year to be used for credits reserved in the current
206 fiscal year.

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208 shall notify the Commissioner of Revenue Services of the amount of
209 the tax credit that may be issued to an angel investor.

210 (e) (1) The amount of such credit allowed to any investor pursuant
211 to this section shall not exceed the amount of tax due from such
212 investor under chapter 229 of the general statutes with respect to such
213 taxable year. Any tax credit not used in the taxable year during which
214 the cash investment was made may be carried forward for the five
215 immediately succeeding taxable years until the full credit has been

216 allowed.

217 (2) Any credit allowed pursuant to this section may be sold,
 218 assigned or otherwise transferred, in whole or in part, to one or more
 219 taxpayers, and such taxpayers may sell, assign or otherwise transfer, in
 220 whole or in part, such credit. If an investor sells, assigns or otherwise
 221 transfers a credit to another taxpayer, the transferor and transferee
 222 shall jointly submit written notification of such transfer to the
 223 Commissioner of Revenue Services not later than thirty days after such
 224 transfer. If such transferee sells, assigns or otherwise transfers a credit
 225 under this section to a subsequent transferee, such transferee and such
 226 subsequent transferee shall jointly submit written notification of such
 227 transfer to the Commissioner of Revenue Services not later than thirty
 228 days after such transfer. The notification after each transfer shall
 229 include the credit certificate number, the date of transfer, the amount
 230 of such credit transferred, the tax credit balance before and after the
 231 transfer, the tax identification numbers for both the transferor and the
 232 transferee, and any other information required by the Commissioner of
 233 Revenue Services. Failure to comply with this subdivision shall result
 234 in a disallowance of the tax credit until there is full compliance on the
 235 part of the transferor and the transferee and for a second transfer, on
 236 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
Sec. 2	<i>July 1, 2008, and applicable to taxable years commencing on or after January 1, 2008</i>	New section

Statement of Legislative Commissioners:

The bill has been divided into two sections to more accurately reflect the chapters affected by the bill.

CE

Joint Favorable Subst. C/R

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