



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:

1 Section 1. (NEW) (*Effective July 1, 2009, and applicable to income years*
2 *commencing on or after January 1, 2009*) (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, such as consulting and mentoring, in a business,
6 such as consulting and mentoring, but "angel investor" or "investor"
7 does not include (A) persons controlling fifty per cent or more of the
8 Connecticut business invested in by the angel investor or investor, (B)
9 a Connecticut venture capital company, or (C) any bank, bank and
10 trust company, insurance company, trust company, national bank,
11 savings association or building and loan association for activities that
12 are a part of its normal course of business;

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

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

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

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

31 (b) There shall be allowed a credit against the tax imposed under
32 chapter 229 of the general statutes for a cash investment in the
33 qualified securities of a Connecticut business by an angel investor. The
34 credit shall be in an amount equal to thirty-five per cent of such
35 investor's cash investment, provided no credit shall be greater than one
36 hundred twenty-five thousand dollars. The credit shall be taken in the
37 year in which such cash 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 approval as a Connecticut
52 business qualified to receive cash investments eligible for tax credits
53 pursuant to this section. The application shall include (A) the name of
54 the business and a copy of the organizational documents of such
55 business; (B) a business plan, including a description of the business
56 and the management, product, market and financial plan of the
57 business; (C) a statement of the business innovative and proprietary
58 technology, product or service; (D) a statement of the potential
59 economic impact of the enterprise, including the number, location and
60 types of jobs expected to be created; (E) a description of the qualified
61 securities to be issued, the consideration to be paid for the qualified
62 securities, the amount of any tax credits requested and the earliest year
63 in which such tax credits may be redeemed; (F) a statement of the
64 amount, timing and projected use of the proceeds to be raised from the
65 proposed sale of qualified securities; and (G) such other information as
66 said commissioner may require.

67 (2) The Commissioner of Economic and Community Development
68 shall, on or before August 1, 2009, 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. Any angel investor that intends to provide a cash
72 investment to a business on such list may apply to the Commissioner
73 of Revenue Services to reserve a tax credit in the amount indicated by
74 such investor. The aggregate amount of all tax credits which may be
75 reserved by the Commissioner of Revenue Services shall not exceed
76 ten million dollars in any one fiscal year.

77 (e) (1) The amount of such credit allowed to any investor pursuant
78 to this section shall not exceed the amount of tax due from such
79 investor under chapter 229 of the general statutes with respect to such

80 taxable year. Any tax credit not used in the taxable year during which
 81 the cash investment was made may be carried forward for the five
 82 immediately succeeding taxable years until the full credit has been
 83 allowed.

84 (2) Any credit allowed pursuant to this section may be sold,
 85 assigned or otherwise transferred, in whole or in part, to one or more
 86 taxpayers, and such taxpayers may sell, assign or otherwise transfer, in
 87 whole or in part, such credit. If an investor sells, assigns or otherwise
 88 transfers a credit to another taxpayer, the transferor and transferee
 89 shall jointly submit written notification of such transfer to the
 90 Commissioner of Revenue Services not later than thirty days after such
 91 transfer. If such transferee sells, assigns or otherwise transfers a credit
 92 under this section to a subsequent transferee, such transferee and such
 93 subsequent transferee shall jointly submit written notification of such
 94 transfer to the Commissioner of Revenue Services not later than thirty
 95 days after such transfer. The notification after each transfer shall
 96 include the credit certificate number, the date of transfer, the amount
 97 of such credit transferred, the tax credit balance before and after the
 98 transfer, the tax identification numbers for both the transferor and the
 99 transferee, and any other information required by the Commissioner of
 100 Revenue Services. Failure to comply with this subdivision shall result
 101 in a disallowance of the tax credit until there is full compliance on the
 102 part of the transferor and the transferee and for a second transfer, on
 103 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.]