



General Assembly

January Session, 2013

Raised Bill No. 1132

LCO No. 4670



Referred to Committee on COMMERCE

Introduced by:
(CE)

AN ACT CONCERNING THE EXPANSION OF BUSINESS TAX CREDITS.

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

1 Section 1. Section 12-704d of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage and*
3 *applicable to taxable years commencing on or after January 1, 2013*):

4 (a) As used in this section:

5 (1) "Angel investor" means an accredited investor, as defined by the
6 Securities and Exchange Commission, or network of accredited
7 investors who review new or proposed businesses for potential
8 investment who may seek active involvement, such as consulting and
9 mentoring, in a Connecticut business, but "angel investor" does not
10 include (A) a person controlling fifty per cent or more of the
11 Connecticut business invested in by the angel investor, or (B) [a
12 venture capital company, or (C)] any bank, bank and trust company,
13 insurance company, trust company, national bank, savings association
14 or building and loan association for activities that are a part of its

15 normal course of business;

16 (2) "Cash investment" means the contribution of cash, at a risk of
17 loss, to a qualified Connecticut business in exchange for qualified
18 securities;

19 (3) "Connecticut business" means any business with its principal
20 place of business in Connecticut that is engaged in bioscience,
21 advanced materials, photonics, information technology, clean
22 technology or any other emerging technology as determined by the
23 Commissioner of Economic and Community Development;

24 (4) "Bioscience" means manufacturing pharmaceuticals, medicines,
25 medical equipment or medical devices and analytical laboratory
26 instruments, operating medical or diagnostic testing laboratories, or
27 conducting pure research and development in life sciences;

28 (5) "Advanced materials" means developing, formulating or
29 manufacturing advanced alloys, coatings, lubricants, refrigerants,
30 surfactants, emulsifiers or substrates;

31 (6) "Photonics" means generation, emission, transmission,
32 modulation, signal processing, switching, amplification, detection and
33 sensing of light from ultraviolet to infrared and the manufacture,
34 research or development of opto-electronic devices, including, but not
35 limited to, lasers, masers, fiber optic devices, quantum devices,
36 holographic devices and related technologies;

37 (7) "Information technology" means software publishing, motion
38 picture and video production, teleproduction and postproduction
39 services, telecommunications, data processing, hosting and related
40 services, custom computer programming services, computer system
41 design, computer facilities management services, other computer
42 related services and computer training;

43 (8) "Clean technology" means the production, manufacture, design,

44 research or development of clean energy, green buildings, smart grid,
45 high-efficiency transportation vehicles and alternative fuels,
46 environmental products, environmental remediation and pollution
47 prevention; and

48 (9) "Qualified securities" means any form of equity, including a
49 general or limited partnership interest, common stock, preferred stock,
50 with or without voting rights, without regard to seniority position that
51 must be convertible into common stock.

52 (b) There shall be allowed a credit against the tax imposed under
53 this chapter, other than the liability imposed by section 12-707, for a
54 cash investment of not less than twenty-five thousand dollars in the
55 qualified securities of a Connecticut business by an angel investor. The
56 credit shall be in an amount equal to twenty-five per cent of such
57 investor's cash investment, provided the total tax credits allowed to
58 any angel investor shall not exceed two hundred fifty thousand
59 dollars. The credit shall be claimed in the taxable year in which such
60 cash investment is made by the angel investor and shall not be
61 transferable.

62 (c) To qualify for a tax credit pursuant to this section, a cash
63 investment shall be in a Connecticut business that (1) has been
64 approved as a qualified Connecticut business pursuant to subsection
65 (d) of this section; (2) had annual gross revenues of less than one
66 million dollars in the most recent income year of such business; (3) has
67 fewer than twenty-five employees, not less than seventy-five per cent
68 of whom reside in this state; (4) has been operating in this state for less
69 than seven consecutive years; (5) is primarily owned by the
70 management of the business and their families; and (6) received less
71 than two million dollars in cash investments eligible for the tax credits
72 provided by this section.

73 (d) (1) A Connecticut business may apply to Connecticut
74 Innovations, Incorporated, for approval as a Connecticut business

75 qualified to receive cash investments eligible for a tax credit pursuant
76 to this section. The application shall include (A) the name of the
77 business and a copy of the organizational documents of such business,
78 (B) a business plan, including a description of the business and the
79 management, product, market and financial plan of the business, (C) a
80 description of the business's innovative technology, product or service,
81 (D) a statement of the potential economic impact of the business,
82 including the number, location and types of jobs expected to be
83 created, (E) a description of the qualified securities to be issued and the
84 amount of cash investment sought by the qualified Connecticut
85 business, (F) a statement of the amount, timing and projected use of
86 the proceeds to be raised from the proposed sale of qualified securities,
87 and (G) such other information as the executive director of Connecticut
88 Innovations, Incorporated, may require.

89 (2) Said executive director shall, on or before August 1, 2010, and
90 monthly thereafter, compile a list of approved applications,
91 categorized by the cash investments being sought by the qualified
92 Connecticut business and type of qualified securities offered.

93 (e) (1) Any angel investor that intends to make a cash investment in
94 a business on such list may apply to Connecticut Innovations,
95 Incorporated, to reserve a tax credit in the amount indicated by such
96 investor. The aggregate amount of all tax credits under this section that
97 may be reserved by Connecticut Innovations, Incorporated, shall not
98 exceed six million dollars annually for the fiscal years commencing
99 July 1, 2010, to July 1, 2012, inclusive, and shall not exceed three
100 million dollars in each fiscal year thereafter. [Connecticut Innovations,
101 Incorporated, shall not reserve tax credits under this section for any
102 investment made on or after July 1, 2014.]

103 (2) The amount of the credit allowed to any investor pursuant to this
104 section shall not exceed the amount of tax due from such investor
105 under this chapter, other than section 12-707, with respect to such
106 taxable year. Any tax credit that is claimed by the angel investor but

107 not applied against the tax due under this chapter, other than the
108 liability imposed under section 12-707, may be carried forward for the
109 five immediately succeeding taxable years until the full credit has been
110 applied.

111 (f) If the angel investor is an S corporation or an entity treated as a
112 partnership for federal income tax purposes, the tax credit may be
113 claimed by the shareholders or partners of the angel investor. If the
114 angel investor is a single member limited liability company that is
115 disregarded as an entity separate from its owner, the tax credit may be
116 claimed by such limited liability company's owner, provided such
117 owner is a person subject to the tax imposed under this chapter.

118 (g) A review of the effectiveness of the credit under this section shall
119 be conducted by Connecticut Innovations, Incorporated, by July 1,
120 2014. Such review shall be submitted to the joint standing committee of
121 the General Assembly having cognizance of matters relating to
122 commerce.

123 Sec. 2. (*Effective July 1, 2013*) On or before December 31, 2013, the
124 Commissioner of Revenue Services, in collaboration with the
125 Department of Economic and Community Development, shall, in
126 accordance with section 11-4a of the general statutes, provide a report
127 to the joint standing committees of the General Assembly having
128 cognizance of matters relating to commerce and finance concerning the
129 viability of expanding (1) the angel investor tax credit under section
130 12-704d of the general statutes, and (2) the research and development
131 tax credit under section 12-217n of the general statutes. Such report
132 shall include, but not be limited to, (A) a plan to convert the angel
133 investor tax credit to a program in which, instead of a tax credit, the
134 state provides a coinvestment in the business receiving an investment,
135 (B) a plan to extend the research and development tax credit to pass-
136 through entities and to allow the holders of unused research and
137 development credits to transfer such unused credits to small
138 businesses within their supply chains in exchange for a discount on

139 future purchases from such small businesses, and (C) a
140 recommendation as to whether such plans should be pursued.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to taxable years commencing on or after January 1, 2013</i>	12-704d
Sec. 2	<i>July 1, 2013</i>	New section

Statement of Purpose:

To (1) make permanent the tax credit for angel investors and allow venture capital companies to qualify for such credit, and (2) require the Departments of Revenue Services and Economic and Community Development to collaborate on a report to the General Assembly concerning the expansion of the research and development tax credit and the angel investor tax credit.

[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.]