



General Assembly

**Substitute Bill No. 1132**

January Session, 2013



**AN ACT CONCERNING THE EXTENSION OF THE ANGEL INVESTOR TAX CREDIT AND REQUIRING A STUDY 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 Section 12-704d of the general statutes is repealed and the  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 July 1, 2013*):

3 (a) As used in this section:

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

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

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

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

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

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

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

42 (8) "Clean technology" means the production, manufacture, design,  
43 research or development of clean energy, green buildings, smart grid,  
44 high-efficiency transportation vehicles and alternative fuels,  
45 environmental products, environmental remediation and pollution  
46 prevention; and

47 (9) "Qualified securities" means any form of equity, including a  
48 general or limited partnership interest, common stock, preferred stock,

49 with or without voting rights, without regard to seniority position that  
50 must be convertible into common stock.

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

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

72 (d) (1) A Connecticut business may apply to Connecticut  
73 Innovations, Incorporated, for approval as a Connecticut business  
74 qualified to receive cash investments eligible for a tax credit pursuant  
75 to this section. The application shall include (A) the name of the  
76 business and a copy of the organizational documents of such business,  
77 (B) a business plan, including a description of the business and the  
78 management, product, market and financial plan of the business, (C) a  
79 description of the business's innovative technology, product or service,  
80 (D) a statement of the potential economic impact of the business,  
81 including the number, location and types of jobs expected to be

82 created, (E) a description of the qualified securities to be issued and the  
83 amount of cash investment sought by the qualified Connecticut  
84 business, (F) a statement of the amount, timing and projected use of  
85 the proceeds to be raised from the proposed sale of qualified securities,  
86 and (G) such other information as the executive director of Connecticut  
87 Innovations, Incorporated, may require.

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

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

102 (2) The amount of the credit allowed to any investor pursuant to this  
103 section shall not exceed the amount of tax due from such investor  
104 under this chapter, other than section 12-707, with respect to such  
105 taxable year. Any tax credit that is claimed by the angel investor but  
106 not applied against the tax due under this chapter, other than the  
107 liability imposed under section 12-707, may be carried forward for the  
108 five immediately succeeding taxable years until the full credit has been  
109 applied.

110 (f) If the angel investor is an S corporation or an entity treated as a  
111 partnership for federal income tax purposes, the tax credit may be  
112 claimed by the shareholders or partners of the angel investor. If the  
113 angel investor is a single member limited liability company that is

114 disregarded as an entity separate from its owner, the tax credit may be  
 115 claimed by such limited liability company's owner, provided such  
 116 owner is a person subject to the tax imposed under this chapter.

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

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

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2013</i>	12-704d
Sec. 2	<i>July 1, 2013</i>	New section

**CE**

*Joint Favorable Subst. C/R*

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