



**Substitute House Bill No. 5583**

**Public Act No. 17-110**

**AN ACT EXPANDING INVESTMENT ELIGIBILITY UNDER THE ANGEL INVESTOR TAX CREDIT PROGRAM.**

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

Section 1. Section 12-704d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2017*):

(a) As used in this section:

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

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

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

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

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

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

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

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

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

(10) "Emerging technology business" means any business that is engaged in bioscience, advanced materials, photonics, information technology, clean technology or any other emerging technology as determined by the Commissioner of Economic and Community Development.

(b) There shall be allowed a credit against the tax imposed under this chapter, other than the liability imposed by section 12-707, for a cash investment of not less than twenty-five thousand dollars in the qualified securities of a Connecticut business by an angel investor. The credit shall be in an amount equal to twenty-five per cent of such investor's cash investment, provided the total tax credits allowed to any angel investor shall not exceed two hundred fifty thousand dollars. The credit shall be claimed in the taxable year in which such cash investment is made by the angel investor. The credit may be sold, assigned or otherwise transferred, in whole or in part.

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

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(d) (1) A Connecticut business may apply to Connecticut Innovations, Incorporated, for approval as a Connecticut business qualified to receive cash investments eligible for a tax credit pursuant to this section. The application shall include (A) the name of the business and a copy of the organizational documents of such business, (B) a business plan, including a description of the business and the management, product, market and financial plan of the business, (C) a description of the business's innovative technology, product or service, (D) a statement of the potential economic impact of the business, including the number, location and types of jobs expected to be created, (E) a description of the qualified securities to be issued and the amount of cash investment sought by the qualified Connecticut business, (F) a statement of the amount, timing and projected use of the proceeds to be raised from the proposed sale of qualified securities, and (G) such other information as the chief executive officer of Connecticut Innovations, Incorporated, may require.

(2) Said chief executive officer shall, on a monthly basis, compile a list of approved applications, categorized by the cash investments being sought by the qualified Connecticut business and type of qualified securities offered.

(e) (1) Any angel investor that intends to make a cash investment in a business on such list may apply to Connecticut Innovations, Incorporated, to reserve a tax credit in the amount indicated by such investor. The aggregate amount of all tax credits under this section that may be reserved by Connecticut Innovations, Incorporated, shall not exceed six million dollars annually for the fiscal years commencing July 1, 2010, to July 1, 2012, inclusive, and shall not exceed three million dollars in each fiscal year thereafter. Each fiscal year, Connecticut Innovations, Incorporated, shall not reserve more than seventy-five per cent of the tax credits available under this section for investments in emerging technology businesses, except if any credits

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remain available for reservation after April first in any fiscal year, such remaining credits may be reserved for investments in such businesses. Connecticut Innovations, Incorporated, shall not reserve tax credits under this section for any investment made on or after July 1, 2019.

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

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

(g) A review of the cumulative effectiveness of the credit under this section shall be conducted by Connecticut Innovations, Incorporated, by July 1, 2014, and by July first annually thereafter. Such review shall include, but need not be limited to, the number and type of Connecticut businesses that received angel investments, the number of angel investors and the aggregate amount of cash investments, the current status of each Connecticut business that received angel investments, the number of employees employed in each year following the year in which such Connecticut business received the angel investment, and the economic impact in the state, of the Connecticut business that received the angel investment. Such review shall be submitted to the Office of Policy and Management and to the

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joint standing committee of the General Assembly having cognizance of matters relating to commerce, in accordance with the provisions of section 11-4a.

Approved June 30, 2017