



General Assembly

Substitute Bill No. 5583

January Session, 2017

* _____HB05583CE_____031717_____*

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:

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 Section 12-704d of the general statutes is repealed and the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

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 and who may seek active involvement, such as consulting
8 and mentoring, in a Connecticut business, but "angel investor" does
9 not 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; and

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

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

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

77 (d) (1) A Connecticut business may apply to Connecticut
78 Innovations, Incorporated, for approval as a Connecticut business
79 qualified to receive cash investments eligible for a tax credit pursuant
80 to this section. The application shall include (A) the name of the

81 business and a copy of the organizational documents of such business,
82 (B) a business plan, including a description of the business and the
83 management, product, market and financial plan of the business, (C) a
84 description of the business's innovative technology, product or service,
85 (D) a statement of the potential economic impact of the business,
86 including the number, location and types of jobs expected to be
87 created, (E) a description of the qualified securities to be issued and the
88 amount of cash investment sought by the qualified Connecticut
89 business, (F) a statement of the amount, timing and projected use of
90 the proceeds to be raised from the proposed sale of qualified securities,
91 and (G) such other information as the chief executive officer of
92 Connecticut Innovations, Incorporated, may require.

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

97 (e) (1) Any angel investor that intends to make a cash investment in
98 a business on such list may apply to Connecticut Innovations,
99 Incorporated, to reserve a tax credit in the amount indicated by such
100 investor. The aggregate amount of all tax credits under this section that
101 may be reserved by Connecticut Innovations, Incorporated, shall not
102 exceed six million dollars annually for the fiscal years commencing
103 July 1, 2010, to July 1, 2012, inclusive, and shall not exceed three
104 million dollars in each fiscal year thereafter. Each fiscal year,
105 Connecticut Innovations, Incorporated, shall not reserve more than
106 seventy-five per cent of the tax credits available under this section for
107 investments in emerging technology businesses, except if any credits
108 remain available for reservation after April first in any fiscal year, such
109 remaining credits may be reserved for investments in such businesses.
110 Connecticut Innovations, Incorporated, shall not reserve tax credits
111 under this section for any investment made on or after July 1, 2019.

112 (2) The amount of the credit allowed to any investor pursuant to this
113 section shall not exceed the amount of tax due from such investor

114 under this chapter, other than section 12-707, with respect to such
115 taxable year. Any tax credit that is claimed by the angel investor but
116 not applied against the tax due under this chapter, other than the
117 liability imposed under section 12-707, may be carried forward for the
118 five immediately succeeding taxable years until the full credit has been
119 applied.

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

127 (g) A review of the cumulative effectiveness of the credit under this
128 section shall be conducted by Connecticut Innovations, Incorporated,
129 by July 1, 2014, and by July first annually thereafter. Such review shall
130 include, but need not be limited to, the number and type of
131 Connecticut businesses that received angel investments, the number of
132 angel investors and the aggregate amount of cash investments, the
133 current status of each Connecticut business that received angel
134 investments, the number of employees employed in each year
135 following the year in which such Connecticut business received the
136 angel investment, and the economic impact in the state, of the
137 Connecticut business that received the angel investment. Such review
138 shall be submitted to the Office of Policy and Management and to the
139 joint standing committee of the General Assembly having cognizance
140 of matters relating to commerce, in accordance with the provisions of
141 section 11-4a.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2017	12-704d

CE *Joint Favorable Subst.*