



General Assembly

January Session, 2019

**Committee Bill No. 5005**

LCO No. 5265



Referred to Committee on COMMERCE

Introduced by:

(CE)

***AN ACT EXTENDING THE ANGEL INVESTOR TAX CREDIT PROGRAM AND EXPANDING ELIGIBILITY FOR THE STATE'S SET-ASIDE PROGRAM FOR SMALL CONTRACTORS.***

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 Section 12-704d of the general statutes is repealed and the  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, 2019, and*  
3 *applicable to income and taxable years commencing on or after January 1,*  
4 *2019*):

5 (a) As used in this section:

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

15 building and loan association for activities that are a part of its normal  
16 course of business;

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

20 (3) "Connecticut business" means any business with its principal  
21 place of business in Connecticut;

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

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

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

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

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

45 prevention;

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

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

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

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

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

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

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

109 and may be prioritized for veteran-owned, women-owned or minority-  
110 owned businesses and businesses owned by individuals with  
111 disabilities. Connecticut Innovations, Incorporated, shall not reserve  
112 tax credits under this section for any investment made on or after July  
113 1, [2019] 2024.

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

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

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

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

144 Sec. 2. Subdivision (1) of subsection (a) of section 4a-60g of the  
145 general statutes is repealed and the following is substituted in lieu  
146 thereof (*Effective October 1, 2019*):

147 (1) "Small contractor" means any contractor, subcontractor,  
148 manufacturer, service company or nonprofit corporation (A) that  
149 maintains its principal place of business in the state, (B) that had gross  
150 revenues not exceeding [~~fifteen~~] twenty million dollars in the most  
151 recently completed fiscal year prior to such application, and (C) that is  
152 independent. "Small contractor" does not include any person who is  
153 affiliated with another person if both persons considered together have  
154 a gross revenue exceeding [~~fifteen~~] twenty million dollars.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2019, and applicable to income and taxable years commencing on or after January 1, 2019</i>	12-704d
Sec. 2	<i>October 1, 2019</i>	4a-60g(a)(1)

**Statement of Purpose:**

To (1) extend the angel investor tax credit program for five years; (2) increase the aggregate amount of angel investor tax credits that may be reserved annually by Connecticut Innovations, Incorporated from three million dollars to five million dollars; (3) increase the maximum total tax credits allowed to an angel investor from two hundred fifty thousand dollars to five hundred thousand dollars; (4) prioritize angel investments in veteran-owned, women-owned or minority-owned businesses and businesses owned by individuals with disabilities; and (5) expand eligibility for the state's set-aside program for small contractors.

*[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.]*

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