



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 Section 12-704d of the general statutes is repealed and the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)

CE *Joint Favorable*

FIN *Joint Favorable*