OLR Bill Analysis
HB 5005

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

SUMMARY

This bill extends the angel investor tax credit program by five years, from July 1, 2019, to July 1, 2024. It increases (1) from $3 million to $5 million, the aggregate amount of angel investor credits Connecticut Innovations (CI) may reserve each fiscal year and (2) from $250,000 to $500,000, the total amount of tax credits allowed to any angel investor.

By law, the amount of credits that CI may reserve each year for investments in emerging technology businesses is capped at 75% of the total amount of credit available that year, but CI may exceed the cap if any unreserved credits remain after April 1 in each year. The bill authorizes CI to prioritize the unreserved credits for veteran-owned, women-owned, or minority-owned businesses and businesses owned by individuals with disabilities.

Lastly, the bill increases the number of businesses eligible for the state set-aside (i.e., Supplier Diversity) program by increasing, from $15 million to $20 million, the annual gross revenue limit for eligible small contractors. As under existing law, to be eligible, the business must also (1) be independent and (2) maintain its principal place of business in Connecticut.

EFFECTIVE DATE: July 1, 2019, and applicable to income and tax years beginning on or after January 1, 2019, for the tax credit provision; October 1, 2019, for the set-aside program provision

BACKGROUND

Angel Investor Tax Credit Program

Under this program, angel investors (i.e., investors who are
considered “accredited investors” by the Securities and Exchange Commission) who invest at least $25,000 in approved businesses are eligible for a personal income tax credit equal to 25% of their investment, up to a capped amount. A business must apply to CI for approval to receive credit-eligible investments. CI then certifies that the business meets the applicable criteria (e.g., is principally located in the state, has been in operation less than seven years, and has less than $1 million in annual revenue).

**Supplier Diversity Program**

By law, state agencies and political subdivisions (i.e., agencies), other than municipalities, must set-aside at least 25% of the total value of all contracts they award for construction, goods, and services each year for exclusive bidding by certified small contractors. Similar requirements apply to certain state-financed public works contracts awarded by municipalities and quasi-public agencies.

The agencies, municipalities, and quasi-public agencies must further reserve at least 25% of the set-aside value (6.25% of the total) for exclusive bidding by certified minority business enterprises, which are small contractors owned by women, minorities, or people with disabilities.

**COMMITTEE ACTION**

Commerce Committee

Joint Favorable

Yea 22  Nay 0  (03/14/2019)