

ANGEL TAX CREDIT



Minnesota's **Angel Tax Credit** stimulates private investment in emerging businesses and encourages job creation. It provides tax incentives to investors or funds that invest in startup businesses that are focused on high technology or new proprietary technology.

Key features of the Angel Tax Credit include:

- A 25 percent tax credit for investments in small, emerging businesses.
- A maximum credit of \$125,000 per person per year (\$250,000 if married filing jointly).
- Program funding of \$15 million in credits annually from 2014 through 2016.
- A state refund if credits exceed tax liability.

Investors, funds and businesses must be certified by the Minnesota Department of Employment and Economic Development (DEED) in order to participate in the program. The minimum qualifying investment is \$10,000 (investors) and \$30,000 (funds), and the maximum credit per business is \$1 million. Since the program's inception in 2010, over 250 businesses received \$236 million in investments.

New for 2015 and 2016:

- Credits increased from \$12 million to \$15 million per year.
- \$7.5 million reserved for Greater Minnesota, women-owned, and minority-owned businesses.
 - ▶ if not all used by September 30, then balance reverts to use by all businesses.
- "Insiders" no longer eligible for credit, including:
 - ▶ Officers: person elected/appointed by board to manage business, and family.
 - ▶ Principals: person with authority to act on behalf of business, and family.
 - ▶ 20% owners and family, with ownership interest combined: siblings, spouse, ancestors, lineal descendants

How to apply:

Certification applications as well as complete information about the program, are available at: mn.gov/deed/angelcredit



RESEARCH AND DEVELOPMENT TAX CREDIT

Minnesota enhanced its tax credit program in 2010 for companies that conduct research and development.

Under the revised measure, partnerships and S corporations are eligible for R&D tax credits, which will benefit small and medium-sized businesses. Previously, only C corporations could take the credit above a base amount. In addition, the percentage of the credit is increased from 5 percent to 10 percent of the first \$2 million in eligible expenses above a base amount. The credit remains 2.5 percent for eligible expenses above \$2 million.

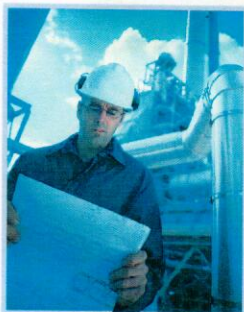
Information on this tax credit is posted on the Minnesota Department of Revenue's website, www.taxes.state.mn.us.



ANGEL LOAN FUND PROGRAM

Minnesota's Angel Loan Fund (ALF) provides a funding option for businesses certified to participate in the Angel Tax Credit Program. ALF offers direct loans to qualified businesses for up to 10% of the total amount of equity investment received by the business in a 12-month funding round.

ALF loans feature the following terms:



- 0% interest 7 year term, non-recourse, deferred with balloon payment
- Loan amount minimum of \$20,000 and \$250,000 maximum

Funds may be used for start-up costs, working capital, business acquisitions and expansions, franchise financing, equipment loans, inventory financing, construction, and commercial, non-passive real estate acquisitions.

ALF is supported by funds received through the State Small Business Credit Initiative (SSBCI).

For more information about the program including application forms, visit the Minnesota Department of Employment and Economic Development's website at mn.gov/deed/ssbci.

