

S.F. No. 1874 – Small business (“angel”) investment credit extension

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The Minnesota small business investment credit, commonly known as the angel investment credit, provides a refundable credit for investments in qualified start-up businesses located in Minnesota in specified high-tech industries. The credit equals 25 percent of the investment, up to \$125,000 per individual or \$250,000 for married joint filers.

There are several criteria for businesses to qualify as an eligible business for investment, and for investors and funds to qualify for the credit. To claim the credit, investors and businesses must apply to DEED for certification as a qualified investor, qualified fund, or qualified business. Minimum investment amounts apply. Qualified investors and qualified funds must apply to DEED for a credit certificate. Fifty percent of the total credits allocated are reserved for minority, women, or veteran-owned business. If that amount is not allocated for those businesses by September 30 of the taxable year, the remainder is allocable for other credit applications.

The credit was first enacted in 2010 and has been extended on a short-term basis since then. The last extension was in 2021 for \$5 million in allocable credits for tax year 2022.

Section 1. Credit allowed. Allocates \$10 million in credits for taxable years beginning after December 31, 2022, and before January 1, 2027. Effective for taxable years beginning after December 31, 2022.

Section 2. Sunset. Extends the reporting requirements and revocation of credit provisions under current law consistent with the extension of the credit in section 1. Effective the day following final enactment.

Section 3. Revival and reenactment of expired provisions. Revives and reenacts sections of the angel investment credit not modified in the bill that expired as of January 1, 2023. Effective the day following final enactment.