



General Assembly

January Session, 2021

Substitute Bill No. 1095



AN ACT EXPANDING THE ANGEL INVESTOR TAX CREDIT PROGRAM TO SOCIAL EQUITY APPLICANTS.

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 Section 12-704d of the general statutes is repealed and the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, 2021*):

3 (a) As used in this section:

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

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

19 (3) "Connecticut business" means any business with its principal
20 place of business in Connecticut, excluding a cannabis business;

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

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

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

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

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

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

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

54 (11) "Cannabis business" means a cannabis establishment for which a
55 social equity applicant has been granted a provisional license or a
56 license;

57 (12) "Social equity applicant" means a person that has applied for a
58 license for a cannabis establishment, where such establishment (A) is at
59 least fifty-one per cent owned by an individual or individuals whose
60 primary addresses for the five years immediately preceding the date of
61 such application are in this state and who meet at least one of the
62 following criteria, or (B) is under the day-to-day control of an individual
63 or individuals whose primary addresses for the five years immediately
64 preceding the date of such application are in this state and at least fifty-
65 one per cent of whom meet at least one of the following criteria:

66 (i) The individual was, as an adult or as a juvenile, arrested for or
67 convicted of, the sale, possession, use, manufacture or cultivation of
68 cannabis;

69 (ii) The individual has a parent, spouse or child who was, as an adult
70 or as a juvenile, arrested for or convicted of the sale, possession, use,
71 manufacture or cultivation of cannabis;

72 (iii) The individual has been a resident of a disproportionately
73 affected community for not less than five of the ten years immediately
74 preceding the date of such application; or

75 (iv) The individual is a resident of tribal land;

76 (13) "Cannabis" means marijuana, as defined in section 21a-240;

77 (14) "Cannabis establishment" has the same meaning as provided in

78 section 1 of substitute senate bill 888 of the current session; and

79 (15) "Disproportionately affected community" means any of the top
80 twenty communities on the most recent Public Investment Community
81 index prepared by the Office of Policy and Management in accordance
82 with the provisions of section 7-545 or a census tract in any municipality
83 in which the unemployment rate is greater than the state-wide
84 unemployment rate and the percentage of residents of such
85 municipality below the federal poverty level is greater than the state-
86 wide percentage of residents below the federal poverty level.

87 (b) There shall be allowed a credit against the tax imposed under this
88 chapter, other than the liability imposed by section 12-707, for a cash
89 investment by an angel investor of not less than twenty-five thousand
90 dollars in the qualified securities of a Connecticut business [by an angel
91 investor] or a cannabis business. The credit shall be in an amount equal
92 to (1) twenty-five per cent of such investor's cash investment in a
93 Connecticut business, or (2) forty per cent of such investor's cash
94 investment in a cannabis business, provided the total tax credits allowed
95 to any angel investor shall not exceed five hundred thousand dollars.
96 The credit shall be claimed in the taxable year in which such cash
97 investment is made by the angel investor. The credit may be sold,
98 assigned or otherwise transferred, in whole or in part.

99 (c) To qualify for a tax credit pursuant to this section, a cash
100 investment shall be in: [a]

101 (1) A Connecticut business that [(1)] (A) has been approved as a
102 qualified Connecticut business pursuant to subsection (d) of this section;
103 [(2)] (B) had annual gross revenues of less than one million dollars in the
104 most recent income year of such business; [(3)] (C) has fewer than
105 twenty-five employees, not less than seventy-five per cent of whom
106 reside in this state; [(4)] (D) has been operating in this state for less than
107 seven consecutive years; [(5)] (E) is primarily owned by the
108 management of the business and their families; and [(6)] (F) received
109 less than two million dollars in cash investments eligible for the tax

110 credits provided by this section; or

111 (2) A cannabis business that (A) has been approved as a qualified
112 cannabis business pursuant to subsection (d) of this section; (B) had
113 annual gross revenues of less than one million dollars in the most recent
114 income year of such business; (C) has fewer than twenty-five employees,
115 not less than seventy-five per cent of whom reside in this state; (D) is
116 primarily owned by the management of the business and their families;
117 and (E) received less than two million dollars in cash investments
118 eligible for the tax credits provided by this section.

119 (d) (1) A Connecticut business or a cannabis business may apply to
120 Connecticut Innovations, Incorporated, for approval as a Connecticut
121 business or cannabis business, as applicable, qualified to receive cash
122 investments eligible for a tax credit pursuant to this section. The
123 application shall include (A) the name of the business and a copy of the
124 organizational documents of such business, (B) a business plan,
125 including a description of the business and the management, product,
126 market and financial plan of the business, (C) a description of the
127 business's innovative technology, product or service, (D) a statement of
128 the potential economic impact of the business, including the number,
129 location and types of jobs expected to be created, (E) a description of the
130 qualified securities to be issued and the amount of cash investment
131 sought by the [qualified Connecticut] business, (F) a statement of the
132 amount, timing and projected use of the proceeds to be raised from the
133 proposed sale of qualified securities, and (G) such other information as
134 the chief executive officer of Connecticut Innovations, Incorporated,
135 may require.

136 (2) Said chief executive officer shall, on a monthly basis, compile a list
137 of approved applications, categorized by the cash investments being
138 sought by the qualified Connecticut business or the qualified cannabis
139 business and type of qualified securities offered.

140 (e) (1) Any angel investor that intends to make a cash investment in
141 a business on such list may apply to Connecticut Innovations,

142 Incorporated, to reserve a tax credit in the amount indicated by such
143 investor. Connecticut Innovations, Incorporated, shall not reserve tax
144 credits under this section for any investment made on or after July 1,
145 2024.

146 (2) The aggregate amount of all tax credits under this section that may
147 be reserved by Connecticut Innovations, Incorporated, shall not exceed
148 (A) for cash investments made in Connecticut businesses, six million
149 dollars annually for the fiscal years commencing July 1, 2010, to July 1,
150 2012, inclusive, and [shall not exceed] five million dollars [in] for each
151 fiscal year thereafter, and (B) for cash investments made in qualified
152 cannabis businesses, fifteen million dollars annually for each fiscal year
153 commencing on or after July 1, 2021. [Each fiscal year,]

154 (3) With respect to the tax credits available under this section for
155 investments in Connecticut businesses, Connecticut Innovations,
156 Incorporated, shall not reserve more than seventy-five per cent of [the]
157 such tax credits [available under this section] each fiscal year for
158 investments in emerging technology businesses, except if any such
159 credits remain available for reservation after April first in any fiscal
160 year, such remaining credits may be reserved for (A) investments in
161 such businesses [,] and may be prioritized for veteran-owned, women-
162 owned or minority-owned businesses and businesses owned by
163 individuals with disabilities, and (B) investments in qualified cannabis
164 businesses. [Connecticut Innovations, Incorporated, shall not reserve
165 tax credits under this section for any investment made on or after July
166 1, 2024.]

167 [(2)] (4) The amount of the credit allowed to any investor pursuant to
168 this section shall not exceed the amount of tax due from such investor
169 under this chapter, other than section 12-707, with respect to such
170 taxable year. Any tax credit that is claimed by the angel investor but not
171 applied against the tax due under this chapter, other than the liability
172 imposed under section 12-707, may be carried forward for the five
173 immediately succeeding taxable years until the full credit has been
174 applied.

