

HOUSE No. 2473

The Commonwealth of Massachusetts

PRESENTED BY:

Claire D. Cronin

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to angel investor tax credits.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
<i>Claire D. Cronin</i>	<i>11th Plymouth</i>
<i>RoseLee Vincent</i>	<i>16th Suffolk</i>
<i>Ann-Margaret Ferrante</i>	<i>5th Essex</i>
<i>Louis L. Kafka</i>	<i>8th Norfolk</i>
<i>Jeffrey N. Roy</i>	<i>10th Norfolk</i>
<i>Thomas A. Golden, Jr.</i>	<i>16th Middlesex</i>
<i>Josh S. Cutler</i>	<i>6th Plymouth</i>
<i>Marjorie C. Decker</i>	<i>25th Middlesex</i>
<i>Aaron Vega</i>	<i>5th Hampden</i>
<i>Frank A. Moran</i>	<i>17th Essex</i>
<i>Tackey Chan</i>	<i>2nd Norfolk</i>
<i>Mark J. Cusack</i>	<i>5th Norfolk</i>
<i>Tricia Farley-Bouvier</i>	<i>3rd Berkshire</i>
<i>Angelo J. Puppolo, Jr.</i>	<i>12th Hampden</i>
<i>Michael D. Brady</i>	<i>9th Plymouth</i>
<i>Michelle M. DuBois</i>	<i>10th Plymouth</i>
<i>Alice Hanlon Peisch</i>	<i>14th Norfolk</i>
<i>Dennis A. Rosa</i>	<i>4th Worcester</i>

<i>Shawn Dooley</i>	<i>9th Norfolk</i>
<i>Thomas J. Calter</i>	<i>12th Plymouth</i>
<i>Joseph W. McGonagle, Jr.</i>	<i>28th Middlesex</i>
<i>Michael J. Finn</i>	<i>6th Hampden</i>
<i>Leonard Mirra</i>	<i>2nd Essex</i>
<i>Mary S. Keefe</i>	<i>15th Worcester</i>
<i>Paul McMurry</i>	<i>11th Norfolk</i>
<i>Robert M. Koczera</i>	<i>11th Bristol</i>
<i>Jay D. Livingstone</i>	<i>8th Suffolk</i>
<i>Carole A. Fiola</i>	<i>6th Bristol</i>
<i>Barbara L'Italien</i>	<i>Second Essex and Middlesex</i>
<i>Paul A. Schmid, III</i>	<i>8th Bristol</i>
<i>Diana DiZoglio</i>	<i>14th Essex</i>
<i>Keiko M. Orrall</i>	<i>12th Bristol</i>
<i>Danielle W. Gregoire</i>	<i>4th Middlesex</i>
<i>Brian R. Mannal</i>	<i>2nd Barnstable</i>
<i>Antonio F. D. Cabral</i>	<i>13th Bristol</i>
<i>Marcos A. Devers</i>	<i>16th Essex</i>
<i>Thomas M. Stanley</i>	<i>9th Middlesex</i>
<i>John H. Rogers</i>	<i>12th Norfolk</i>
<i>Angelo L. D'Emilia</i>	<i>8th Plymouth</i>
<i>Eric P. Lesser</i>	<i>First Hampden and Hampshire</i>
<i>Brendan P. Crighton</i>	<i>11th Essex</i>
<i>Stephen L. DiNatale</i>	<i>3rd Worcester</i>
<i>Bruce E. Tarr</i>	<i>First Essex and Middlesex</i>
<i>Thomas P. Kennedy</i>	<i>Second Plymouth and Bristol</i>
<i>Gailanne M. Cariddi</i>	<i>1st Berkshire</i>
<i>Leah Cole</i>	<i>12th Essex</i>
<i>James Arciero</i>	<i>2nd Middlesex</i>
<i>Kevin J. Kuros</i>	<i>8th Worcester</i>
<i>Daniel Cullinane</i>	<i>12th Suffolk</i>
<i>Joseph D. McKenna</i>	<i>18th Worcester</i>
<i>Jeffrey Sánchez</i>	<i>15th Suffolk</i>
<i>Joan B. Lovely</i>	<i>Second Essex</i>
<i>Paul R. Heroux</i>	<i>2nd Bristol</i>

HOUSE No. 2473

By Ms. Cronin of Easton, a petition (accompanied by bill, House, No. 2473) of Claire D. Cronin and others relative to angel investor tax credits. Revenue.

The Commonwealth of Massachusetts

In the One Hundred and Eighty-Ninth General Court
(2015-2016)

An Act relative to angel investor tax credits.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Said section 6 of said chapter 62, as appearing in the 2012 Official Edition,
2 is hereby further amended by adding the following subsection:-

3 (t) (1) As used in this subsection, the following words shall have the following meanings
4 unless the context clearly requires otherwise:-

5 “Business”, a profession, sole proprietorship, trade partnership, corporation, general
6 partnership, limited liability company, limited partnership, joint venture, business trust, public
7 benefit corporation, non-profit entity or other business entity.

8 “Gateway municipality”, a gateway municipality as defined in section 3A of chapter 23A.

9 “Qualifying business”, a business which: (a) has its principal place of business in the
10 commonwealth; (b) has at least 50 per cent of its employees located in the business’s principal
11 place of business; (c) has a fully developed business plan that includes all appropriate long-term
12 and short-term forecasts and contingencies of business operations, including research and

13 development, profit, loss and cash flow projections and details of angel investor funding; (d)
14 employs 20 or fewer full-time employees at the time of the taxpayer investor's initial qualifying
15 investment as provided for in paragraph (2); (e) has a federal tax identification number; and (f)
16 has gross revenues equal to or less than \$500,000 in the fiscal year prior to eligibility.

17 "Qualifying investment", a monetary investment that is at risk and not secured or
18 guaranteed; provided, however, that a "qualifying investment" shall not include venture capital
19 funds, hedge funds and commodity funds with institutional investors or investments in a business
20 involved in retail, real estate, professional services, gaming or financial services.

21 "Taxpayer investor", accredited investors, as defined by the United States Securities and
22 Exchange Commission pursuant to section 2(15)(ii) of the Securities Act of 1933, 15 U.S.C.
23 77b(15)(ii) and who is not the principal owner of the qualifying business who is involved as a
24 full-time professional activity.

25 (2) A taxpayer investor who makes a qualifying investment in a qualifying business shall
26 be allowed a credit against the taxes imposed by this chapter in an amount equal to 20 per cent of
27 the amount of the taxpayer's qualifying investment. A taxpayer investor who makes a qualifying
28 investment in a qualifying business with its principal place of business located in a gateway
29 municipality shall be allowed a credit against the taxes imposed by this chapter in an amount
30 equal to 30 per cent of the amount of the taxpayer's qualifying investment. Taxpayer investors
31 may invest up to \$125,000 per qualifying business per year with a \$250,000 maximum for each
32 qualifying business. The total of all tax credits available to a taxpayer investor under this
33 subsection and section 38GG of chapter 63 shall not exceed \$50,000 in any 1 tax year.

34 (3) Qualifying investments may be used by a qualifying business for the following
35 purposes: (a) capital improvements; (b) plant equipment; (c) research and development; and (d)
36 working capital. Qualifying investments shall not be used to pay dividends, fund or repay
37 shareholders' loans, redeem shares, repay debt or pay wages or other benefits of the taxpayer
38 investor.

39 (4) The credits allowed under paragraph (2) may be taken against income tax due in
40 either the tax year of the initial investment or in any of the 3 subsequent taxable years. Any
41 amount of the tax credit that exceeds the tax due for a taxable year may be carried forward by the
42 taxpayer investor to any of the 3 subsequent taxable years. If the qualifying business ceases to
43 have its principal place of business in the commonwealth within such 3 year period, the taxpayer
44 investor shall not claim any further credits and shall repay the total amount of credits claimed to
45 the commonwealth.

46 (5) The commissioner of revenue in consultation with the executive office of housing
47 and economic development shall authorize annually for the 4-year period beginning January 1,
48 2016 and ending December 31, 2019, pursuant to this subsection together with said section
49 38GG of said chapter 63, an amount not to exceed \$10,000,000 per year for the credits allowed.

50 (6) The executive office of housing and economic development in consultation with the
51 commissioner of revenue shall authorize, administer and determine eligibility for this tax credit
52 and allocate the credit in accordance with the standards and requirements as set forth in
53 regulations promulgated pursuant to this subsection. The executive office of housing and
54 economic development shall allocate the total available tax credit among as many qualified

55 commonwealth businesses as fiscally feasible with the goal of creating and maintaining jobs in
56 the commonwealth.

57 (7) The commissioner of revenue and the executive office of housing and economic
58 development shall promulgate regulations necessary to carry out this subsection.