

1 H.218

2 Introduced by Representatives Scheuermann of Stowe, Baser of Bristol, Carr  
3 of Brandon, Conquest of Newbury, Dakin of Colchester, Fagan  
4 of Rutland City, Komline of Dorset, Marcotte of Coventry,  
5 Olsen of Londonderry, Parent of St. Albans City, Sibilila of  
6 Dover, Tate of Mendon, Willhoit of St. Johnsbury, and Wright  
7 of Burlington

8 Referred to Committee on

9 Date:

10 Subject: Commerce and trade; economic development; taxation

11 Statement of purpose of bill as introduced: This bill proposes to create an  
12 angel investor tax credit.

13 An act relating to creating an angel investor tax credit

14 It is hereby enacted by the General Assembly of the State of Vermont:

15 Sec. 7. 32 V.S.A. § 5930v is added to read:

16 § 5930v. ANGEL INVESTOR TAX CREDIT

17 (a) A qualified taxpayer who makes an eligible venture capital investment:

18 (1) may claim a credit against his or her income tax liability for 50

19 percent of the value of each eligible venture capital investment per qualifying

20 business made during a taxable year;

1           (2) may claim credit in increments of 25 percent of the total credit over  
2           four years; provided that the amount of the credit allowed under this section for  
3           any one taxable year may not exceed 50 percent of the taxpayer's income tax  
4           liability for the taxable year before application of the credit; and

5           (3) may carry forward for up to 10 years the value of credit that the  
6           taxpayer could not claim due to the limitations in subdivision (2) of this  
7           subsection.

8           (b)(1) The maximum aggregate investment in any one qualifying business  
9           for which a single qualified investor may receive tax credit under this section is  
10           limited to \$500,000.00 in any three consecutive years.

11           (2) The maximum aggregate investment in any one qualified business  
12           for which all qualified investors may receive tax credit under this section is  
13           limited to \$5,000,000.00.

14           (c)(1) To claim a credit pursuant to this section a qualified taxpayer shall  
15           submit to the Vermont Economic Progress Council documentation and any  
16           additional information requested by the Council necessary to demonstrate  
17           compliance with the requirements of this section.

18           (2) The Council, upon review and confirmation of the qualified  
19           taxpayer's eligibility for a credit, shall issue a credit certificate to the taxpayer,  
20           who shall file the certificate with the Department of Taxes with his or her State  
21           income tax return for the applicable year.

1        (d) In this section:

2            (1) “At-risk debt” means debt which is not secured, is not guaranteed by  
3            a substantial owner of the business, will not be repaid for at least five years, or  
4            bears a reasonable rate of interest.

5            (2) “Eligible venture capital investment” means up to \$500,000.00 of  
6            total investment by one person, which is equity or at-risk debt investment in  
7            one qualified business, for expenditure by the qualified business on the plant,  
8            equipment, research, and development, or as working capital in Vermont.

9            (3) “Qualified business” means a business that:

10            (A) has its principal place of business in this State;

11            (B) had in the year preceding the investment annual gross sales of  
12            \$3,000,000.00 or less; and

13            (C)(i) is primarily engaged in manufacturing; or

14            (ii) is a knowledge-based business:

15            (I) whose value is based on intellectual property rights or  
16            similar intangible assets; and

17            (II) whose primary purpose is to apply knowledge to  
18            differentiate itself from other businesses through research, design,  
19            development, or novel adaptation of inventions, original works, industrial  
20            designs, computer software, information technology, or similar innovative  
21            intellectual products and services.

1           (4) “Qualified taxpayer” means a taxpayer who is not a substantial  
2           owner of the qualified business.

3           (5) “Substantial owner” means a person who, after the investment, has  
4           greater than 40 percent ownership interest in the qualified business, including  
5           attribution of ownership interests of the individual’s spouse, parents, spouse’s  
6           parents, siblings, and children; or is a person who is controlled by, or has  
7           actual control of, the qualified business through any combination of ownership  
8           and management.

9           Sec. 2. EFFECTIVE DATE

10           This act shall take effect on July 1, 2015.