

2015 -- H 5797

=====
LC001513
=====

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2015

—————
A N A C T

RELATING TO TAXATION

Introduced By: Representatives Ucci, Winfield, Costantino, Blazejewski, and Kazarian

Date Introduced: March 05, 2015

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 44 of the General Laws entitled "TAXATION" is hereby amended by
2 adding thereto the following chapter:

3 CHAPTER 70

4 ANGEL INVESTOR TAX CREDIT

5 **44-70-1. Angel Investment – Tax credit.** – (a) As used in this section:

6 (1) "Advanced materials" means developing, formulating or manufacturing advanced
7 alloys, coatings, lubricants, refrigerants, surfactants, emulsifiers or substrates;

8 (2) "Angel investor" means an accredited investor, as defined by the Securities and
9 Exchange Commission, or network of accredited investors who review new or proposed
10 businesses for potential investment and who may seek active involvement, such as consulting and
11 mentoring, in a Rhode Island business, but "angel investor" does not include:

12 (i) A person controlling fifty percent (50%) or more of the Rhode Island business
13 invested in by the angel investor;

14 (ii) A venture capital company; or

15 (iii) Any bank, bank and trust company, insurance company, trust company, national
16 bank, savings association or building and loan association for activities that are a part of its
17 normal course of business;

18 (3) "Bioscience" means manufacturing pharmaceuticals, medicines, medical equipment
19 or medical devices and analytical laboratory instruments, operating medical or diagnostic testing

1 laboratories, or conducting pure research and development in life sciences;

2 (4) "Cash investment" means the contribution of cash, at a risk of loss, to a qualified
3 Rhode Island business in exchange for qualified securities;

4 (5) "Clean technology" means the production, manufacture, design, research or
5 development of clean energy, green buildings, smart grid, high-efficiency transportation vehicles
6 and alternative fuels, environmental products, environmental remediation and pollution
7 prevention;

8 (6) "Information technology" means software publishing, motion picture and video
9 production, teleproduction and postproduction services, telecommunications, data processing,
10 hosting and related services, custom computer programming services, computer system design,
11 computer facilities management services, other computer-related services and computer training;

12 (7) "Photonics" means generation, emission, transmission, modulation, signal processing,
13 switching, amplification, detection and sensing of light from ultraviolet to infrared and the
14 manufacture, research or development of opto-electronic devices, including, but not limited to,
15 lasers, masers, fiber optic devices, quantum devices, holographic devices and related
16 technologies;

17 (8) "Qualified securities" means any form of equity, including a general or limited
18 partnership interest, common stock, preferred stock, with or without voting rights, without regard
19 to seniority position that must be convertible into common stock;

20 (9) "Rhode Island business" means any business with its principal place of business in
21 Rhode Island that is engaged in bioscience, advanced materials, photonics, information
22 technology, clean technology or any other emerging technology as determined by the Rhode
23 Island commerce corporation; and

24 (b) There shall be allowed a credit against the tax imposed under this chapter for a cash
25 investment of not less than twenty-five thousand dollars in the qualified securities of a Rhode
26 Island business by an angel investor. The credit shall be in an amount equal to twenty-five
27 percent (25%) of such investor's cash investment, provided the total tax credits allowed to any
28 angel investor shall not exceed two hundred fifty thousand dollars (\$250,000). The credit shall be
29 claimed in the taxable year in which such cash investment is made by the angel investor and shall
30 not be transferable.

31 (c) To qualify for a tax credit pursuant to this section, a cash investment shall be in a
32 Rhode Island business that:

33 (1) Has been approved as a qualified Rhode Island business pursuant to subsection (d) of
34 this section;

1 (2) Had annual gross revenues of less than one million dollars (\$1,000,000) in the most
2 recent income year of such business;

3 (3) Has fewer than twenty-five (25) employees, not less than seventy-five percent (75%)
4 of who reside in this state;

5 (4) Has been operating in this state for less than seven (7) consecutive years;

6 (5) Is primarily owned by the management of the business and their families; and

7 (6) Received less than two million dollars (\$2,000,000) in cash investments eligible for
8 the tax credits provided by this section.

9 (d)(1) A Rhode Island business may apply to the Rhode Island commerce corporation for
10 approval as a Rhode Island business qualified to receive cash investments eligible for a tax credit
11 pursuant to this chapter. The application shall include:

12 (i) The name of the business and a copy of the organizational documents of such
13 business;

14 (ii) A business plan, including a description of the business and the management, product,
15 market and financial plan of the business;

16 (iii) A description of the businesses innovative technology, product or service;

17 (iv) A statement of the potential economic impact of the business, including the number,
18 location and types of jobs expected to be created;

19 (v) A description of the qualified securities to be issued and the amount of cash
20 investment sought by the qualified Rhode Island business;

21 (vi) A statement of the amount, timing and projected use of the proceeds to be raised
22 from the proposed sale of qualified securities; and

23 (vii) Such other information as the secretary of commerce may require.

24 (2) The secretary of commerce shall, on a monthly basis, compile a list of approved
25 applications, categorized by the cash investments being sought by the qualified Rhode Island
26 business and type of qualified securities offered.

27 (e)(1) Any angel investor that intends to make a cash investment in a business on such list
28 may apply to the Rhode Island commerce corporation to reserve a tax credit in the amount
29 indicated by such investor. The aggregate amount of all tax credits under this section that may be
30 reserved by the Rhode Island commerce corporation, shall not exceed three million dollars
31 (\$3,000,000) annually for the fiscal years commencing July 1, 2016.

32 (2) The amount of the credit allowed to any investor pursuant to this chapter shall not
33 exceed the amount of tax due from such investor under this chapter with respect to such taxable
34 year. Any tax credit that is claimed by the angel investor, but not applied against the tax due

1 under this chapter, may be carried forward for the five (5) immediately succeeding taxable years
2 until the full credit has been applied.

3 (f) If the angel investor is an S corporation or an entity treated as a partnership for federal
4 income tax purposes, the tax credit may be claimed by the shareholders or partners of the angel
5 investor. If the angel investor is a single member limited liability company that is disregarded as
6 an entity separate from its owner, the tax credit may be claimed by such limited liability
7 company's owner, provided such owner is a person subject to the tax imposed under this chapter.

8 (g) A review of the cumulative effectiveness of the credit under this section shall be
9 conducted by the Rhode Island commerce corporation, by July 1, 2017, and by July 1 annually
10 thereafter. Such review shall include, but need not be limited to, the number and type of Rhode
11 Island businesses that received angel investments, the number of angel investors and the
12 aggregate amount of cash investments, the current status of each Rhode Island business that
13 received angel investments, the number of employees employed in each year following the year
14 in which such Rhode Island business received the angel investment, and the economic impact in
15 the state, of the Rhode Island business that received the angel investment. Such review shall be
16 submitted to the house finance committee and senate finance committee.

17 SECTION 2. This act shall take effect upon passage.

=====
LC001513
=====

EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TAXATION

- 1 This act would establish an angel investor tax credit for investors in Rhode Island
- 2 businesses engaged in bioscience, advanced materials, photonics, information technology or any
- 3 other emerging technology as determined by the commerce corporation.
- 4 This act would take effect upon passage.

=====
LC001513
=====