

Subject Angel investor credit

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Overview

H.F. 2723 would modify the small business investment tax credit (also known as the angel investment credit) by allocating \$10 million per year to the credit for tax years 2025 through 2028. There is currently no allocation for this credit for tax year 2025.

This bill would also modify the priority allocation requirements, which require 50 percent of the allocation for the credit to be set aside for greater Minnesota businesses, or minority-, women-, or veteran-owned businesses. Under H.F. 2723, investments in a business previously qualifying as one of these businesses would qualify for priority allocation.

The bill would also increase the investment holding period for investors in qualified small businesses from three years to five years, and increase the private equity investment limits for qualified small businesses.

For background, the angel investment credit allows a refundable 25 percent credit for investments in startup companies engaged in certain high technology industries, or the development of proprietary technology or products, processes, or services. Only individuals and pass-through entities are allowed the credit. The credit is limited to \$125,000 per investor or \$250,000 for married filers.

Summary

Section	Description
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| 1 | Certification of qualified small businesses.
Increases the limit on the amount of private equity investments a business may receive and still meet the certification requirements for a qualified small business, from \$4,000,000 to \$15,000,000. |
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Effective date: tax year 2025 and later.

Section	Description
2	<p>Credit allowed.</p> <p>Allows priority allocation of the credit for greater Minnesota businesses, and minority-, women-, or veteran-owned qualified small businesses to a business that qualified at any time as any one of those businesses.</p> <p>Increases the holding period for investments from three years to five years. With some exceptions, investments held for less than the holding period are subject to revocation.</p> <p>Allocates \$10,000,000 per taxable year for the credit through tax year 2028.</p> <p>Effective date: tax year 2025 and later.</p>
3	<p>Revocation of credits.</p> <p>Conforming change to the credit revocation provisions due to the holding period change in section 2.</p> <p>Effective date: tax year 2025 and later.</p>
4	<p>Report to legislature.</p> <p>Technical change striking an obsolete reference.</p> <p>Effective date: tax year 2025 and later.</p>



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