

SECTION 68 of House 4483. Angel Tax Incentive Credit

Said section 6 of said chapter 62, as amended by section I of chapter 52 of the acts of 2015, is hereby further amended by adding the following subsection: (t)(1).

As used in this subsection, the following words shall, unless the context clearly requires otherwise, have the following meanings:-

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

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

“Qualifying business”, a business which:

- (i) has its principal place of business in the commonwealth;
- (ii) has at least 50 per cent of its employees located in the business’s principal place of business;
- (iii) has a fully developed business plan that includes all appropriate long-term and short-term forecasts and contingencies of business operations, including research and development, profit, loss and cash flow projections and details of angel investor funding;
- (iv) employs 20 or fewer full-time employees at the time of the taxpayer investor’s initial qualifying investment as provided for in paragraph (2);
- (v) has a federal tax identification number; and
- (vi) has gross revenues equal to or less than \$500,000 in the fiscal year prior to eligibility.

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

“Taxpayer investor”, an accredited investor, as defined by the United States Securities and Exchange Commission pursuant to 15 U.S.C. section 77b(15)(ii) who is not the principal owner of the qualifying business and who is involved in the qualifying business as a full-time professional activity.

(2) A taxpayer investor who makes a qualifying investment in a qualifying business shall be allowed a credit against the taxes imposed by this chapter in an amount equal to 20 per cent of the amount of the taxpayer’s qualifying investment. A taxpayer investor who makes a qualifying investment in a qualifying business with its principal place of business located in a gateway municipality shall be allowed a credit against the taxes imposed by this chapter in an amount equal to 30 per cent of the amount of the taxpayer’s qualifying investment. Taxpayer investors may invest up to \$125,000 per qualifying business per year with a \$250,000 maximum for each qualifying business. The total of all tax credits available to a taxpayer investor under this subsection shall not exceed \$50,000 in any single calendar year.

(3) Qualifying investments may be used by a qualifying business for the following purposes:

- (i) capital improvements;

- (ii) plant equipment;
- (iii) research and development; and
- (iv) working capital.

Qualifying investments shall not be used to pay dividends, fund or repay shareholders' loans, redeem shares, repay debt or pay wages or other benefits of the taxpayer investor.

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

(5) The Massachusetts Life Sciences Center, in consultation with the executive office of housing and economic development and the commissioner, shall authorize, administer and determine eligibility for this tax credit and allocate the credit in accordance with the standards and requirements as set forth in regulations promulgated pursuant to this subsection, and with the goal of creating and maintaining jobs including, but not limited to, jobs in the following sectors: digital e-health, information technology, and healthcare. Any tax credits authorized pursuant to this subsection shall be subject to the annual cumulative cap pursuant to subsection (d) of section 5 of chapter 23I.

(6) The commissioner, the Massachusetts Life Sciences Center, and the executive office of housing and economic development shall promulgate regulations necessary to carry out this subsection.