

2015 Regular Session

HOUSE BILL NO. 541

BY REPRESENTATIVES STOKES, TIM BURNS, FOIL, LEGER, AND WILLMOTT
AND SENATORS CROWE, MARTINY, AND NEVERS

TAX CREDITS: Reestablishes the Angel Investor Tax Credit Program

1 AN ACT

2 To amend and reenact R.S. 47:6020(C)(1)(a) and (b), (2)(b), (D)(1) and (2)(a) and (b) and
3 to enact R.S. 47:6020(G), relative to tax credits; to reestablish the Angel Investor
4 Tax Credit Program; to provide for the amount and duration of the tax credit; to
5 provide for limitations and requirements relative to eligible angel investors; to
6 provide for a sunset date; to provide for applicability; to provide for effectiveness;
7 and to provide for related matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 47:6020(C)(1)(a) and (b), (2)(b), (D)(1) and (2)(a) and (b) are hereby
10 amended and reenacted and R.S. 47:6020(G) is hereby enacted to read as follows:

11 §6020. Angel Investor Tax Credit Program

12 * * *

13 C. Qualifications. (1) To qualify for a tax credit, the investor and the
14 investment shall meet all of the following requirements:

15 (a) The investment in the Louisiana Entrepreneurial Business must be an
16 investment that is at risk and not secured or guaranteed. "At risk" means that the
17 ~~repayment~~ recoupment of the investment is entirely dependent on the success of the
18 Louisiana Entrepreneurial Business. The investment in the Louisiana
19 Entrepreneurial Business shall not be made more than thirty days prior to the
20 application or reservation for credits in accordance with rules established by the

1 of tax credits for a specific time period, or other method which the department, in its
2 discretion, may find beneficial to the program. The rule shall allow for at least one
3 hundred twenty days between the time a business is certified under the program and
4 the subsequent angel investment in the business is made. If the department does not
5 grant the entire five million dollars in tax credits in any calendar year, the amount
6 of residual unused tax credits shall carry forward to subsequent calendar years and
7 may be granted in any year without regard to the five million dollar per year
8 limitation. After the approval of an investor pool, the department shall issue a letter
9 identifying the amount of tax credits that are available to that pool; however, no tax
10 credit shall be granted to an investor until the investment has been made in the
11 Louisiana Entrepreneurial Business.

12 (2)(a) An investor may apply for and, if qualified, be granted a credit on any
13 income or corporation franchise tax liability owed to the state by the taxpayer
14 seeking to claim the credit in the amount approved by the secretary of the
15 department. The amount of the tax credit shall be based upon the amount of money
16 invested by the investor in the Louisiana Entrepreneurial Business, which investment
17 shall not exceed one million dollars per year per business and two million dollars
18 total per business. Except as otherwise provided in Subparagraph (b) of this
19 Paragraph, the credit shall be allowed against the income tax for the taxable period
20 in which the credit is earned and the franchise tax for the taxable period following
21 the period in which the credit is earned. The credit shall be nonrefundable. The
22 credits approved by the department shall be granted at the rate of ~~thirty-five~~ thirty
23 percent of the amount of the investment with the credit divided in equal portions for
24 ~~five~~ three years.

25 (b) After certifying the eligibility of the Louisiana Entrepreneurial Business
26 and the amount of the investment, the secretary of the department shall issue a tax
27 credit certificate, a copy of which is to be attached to the tax return of the angel
28 investor. The tax credit available in the first year shall become deductible from tax

1 liability in the taxpayer's income tax year in which occurs ~~twenty-four~~ twelve
2 months from the date the department certifies the amount of the investment.

3 * * *

4 G. The provisions of this Section shall be null and void and of no effect on
5 and after July 1, 2019.

6 Section 2. This Act shall become effective July 1, 2015, and shall be applicable to
7 applications made on and after the effective date of this Act.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 541 Original

2015 Regular Session

Stokes

Abstract: Reestablishes the Angel Investor Tax Credit Program, reduces the amount of the credit from 35% to 30% of the investment, reduces the limitation on an investor's percentage of ownership in the business, and reestablishes the credit through July 1, 2019.

Present law authorizes a credit against La. income and corporation franchise tax liability for qualifying individuals who invest in "La. Entrepreneurial Businesses", as approved and certified by the Dept. of Economic Development ("department").

Present law authorizes \$5 million per year in transferrable tax credits for the program, with any residual amount unused at year's end carried forward for use in subsequent years, notwithstanding the \$5 million annual cap. The credit is equal to 35% of the amount of the investment, for investments of up to \$1 million per year, and \$2 million per business. The total amount of the credit is divided into five equal portions, and the first year in which the credit can be used is 24 months after the investment was certified by the department.

Proposed law retains present law with the following changes: the amount of the credit is reduced from 35% to 30% of the amount invested, the number of years into which the amount of the credit is divided is reduced from 5 to 3 years, and the period of time before the credit may be used is reduced from 24 to 12 months.

Proposed law adds convertible securities issued by the La. Entrepreneurial Business as qualified investments for purposes of the program.

Proposed law requires that a qualifying investment shall be made no more than 30 days prior to the application for tax credits.

Present law prohibits an angel investor from being a principal owner of a La. Entrepreneurial Business, with such ownership deemed to be 50% or more.

Proposed law changes present law by reducing the limitation on an investor's ownership in the business from 50% or more to 30%.

Present law becomes null and void on July 1, 2015.

Provisions of proposed law become null and void on July 1, 2019.

Applicable to applications made on or after July 1, 2015.

Effective July 1, 2015.

(Amends R.S. 47:6020(C)(1)(a) and (b), (2)(b), (D)(1) and (2)(a) and (b); Adds R.S. 47:6020(G))