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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. 1747

March 7, 2007

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The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; providing for an income tax credit for investments in
1.3 qualified business ventures in Minnesota; amending Minnesota Statutes 2006,
1.4 section 290.06, by adding a subdivision.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2006, section 290.06, is amended by adding a
1.7 subdivision to read:

1.8 Subd. 34. Investment tax credit. (a) A credit is allowed against the tax imposed by
1.9 this chapter for a qualified taxpayer's investment in a qualified new business venture. The
1.10 credit shall equal 25 percent of the taxpayer's investment made in the business, but shall
1.11 not exceed the lesser of:

1.12 (1) the liability for tax under this chapter, including the applicable alternative
1.13 minimum tax;

1.14 (2) \$50,000 for an individual not part of a partnership; or

1.15 (3) \$600,000 for a pass-through entity.

1.16 (b) For purposes of this subdivision, a qualified taxpayer means:

1.17 (1) an accredited investor within the meaning of Regulation D of the Securities and
1.18 Exchange Commission, Code of Federal Regulations, title 17, section 230.501(a), whether
1.19 part of a pass-through entity or not; and

1.20 (2) an accredited investor who does not own, control, or hold power to vote 20
1.21 percent or more of the outstanding securities of the qualified business venture in which the
1.22 eligible investment is proposed.

1.23 (c) Pass-through entities and individuals may apply to the commissioner of
1.24 employment and economic development for certification as a qualifying pass-through

2.1 entity or individual. The application must be in the form and made under the procedures
2.2 specified by the commissioner of employment and economic development. In awarding
2.3 certificates under this paragraph, the commissioner of employment and economic
2.4 development shall award them to qualified applicants in the order in which the applications
2.5 are received.

2.6 (d) Each pass-through entity must provide each investor a statement indicating the
2.7 investor's share of the credit amount certified to the pass-through entity under paragraph
2.8 (c) based on its share of the pass-through entity's assets. The credit shall not exceed
2.9 \$50,000 for each individual part of a pass-through entity.

2.10 (e) If the amount of the credit under this subdivision or any taxable year exceeds the
2.11 limitation under paragraph (a), clause (1), the excess shall be a credit carryover to each
2.12 of the ten succeeding years but shall not exceed \$50,000 for an individual not part of a
2.13 partnership and \$600,000 for a pass-through entity. The entire amount of the excess
2.14 unused credit must be carried first to the earliest of the taxable years to which the credit
2.15 may be carried, and then to each successive year to which the credit may be carried. The
2.16 amount of the unused credit that may be added under this paragraph may not exceed the
2.17 taxpayer's liability for tax less the credit for the taxable year.

2.18 (f) Unless otherwise provided under the rules of the Department of Employment and
2.19 Economic Development, a business is a qualified business venture for purposes of this
2.20 subdivision only if the business satisfies all of the following conditions:

2.21 (1) the business has its headquarters in Minnesota;

2.22 (2) at least 51 percent of the business's employees are employed in Minnesota;

2.23 (3) the business is engaged in, or is committed to engage in, manufacturing,
2.24 agriculture, processing or assembling products, conducting research and development, or
2.25 developing a new product or business process;

2.26 (4) the business is not engaged in real estate development, insurance, banking,
2.27 lending, lobbying, political consulting, wholesale or retail trade, leisure, hospitality,
2.28 transportation, construction, or professional services provided by attorneys, accountants,
2.29 business consultants, physicians, or health care consultants;

2.30 (5) the business has less than 100 employees;

2.31 (6) the business has not been in operation for more than ten consecutive years;

2.32 (7) the business has not received more than \$1,000,000 in investments that have
2.33 qualified for and received tax credits under this section;

2.34 (8) the business has less than \$1,000,000 in annual gross sales receipts;

2.35 (9) the business is not a subsidiary or an affiliate of a business that employs more
2.36 than 100 employees or has gross sales receipts for the previous year of more than

- 3.1 \$1,000,000, computed by aggregating all of the employees and gross sales receipts of the
- 3.2 business entities affiliated with the business; and
- 3.3 (10) the business has not received private equity investments of more than
- 3.4 \$2,000,000.