SENATE BILL 2539
By Norris

HOUSE BILL 1536

By McCormick

AN ACT to amend Tennessee Code Annotated, Title 67, Chapter 2, relative to the angel investor tax credit.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 67, Chapter 2, is amended by adding the following as a new, appropriately designated section:

67-2-124.

(a) For tax years beginning January 1, 2017, and thereafter, there shall be allowed a credit of thirty-three percent (33%) of the value of an investment by an angel investor against the liability of such angel investor under this chapter in the tax year in which the investment was made. All credits allowed under this subsection (a) are nonrefundable and nontransferable. Any unused credit allowed under this subsection (a) may be carried forward for five (5) years after the tax year in which the credit originated.

(1) For purposes of this section, "angel investor" means a natural person who:

(A) Is an accredited investor as defined in 17 CFR § 230.501(a)(5) or (6); and

(B) Invests in a company that, at the time of the investment:

(i) Is an innovative small business with high-growth potential, including, but not limited to, tech-enabled startups and companies in the fields of consumer products, medical devices, life science, or additive manufacturing; or is a company that has received small business innovation research/small business

technology transfer (SBIR/STTR) funding; or is commercializing technology developed at a research institution within this state;

(ii) Is not a professional service firm and is not primarily engaged in the provision of goods or services within the following industries: construction, leisure, hospitality, retail, real estate, insurance, banking, lobbying, consulting, alcohol, or gambling;

(iii) Has been in business for five (5) or fewer years;

(iv) Has three million dollars ($3,000,000) or less in gross annual revenue; and

(v) Has fifty (50) or fewer full-time employees, as defined in § 67-4-2109(f)(1)(A), and at least sixty percent (60%) of those employees perform the majority of their job duties within this state.

(2) The credit allowed under this subsection (a) shall be limited to fifty thousand dollars ($50,000) per angel investor in any tax year.

(3) For tax years beginning January 1, 2017, and thereafter, a maximum of three million dollars ($3,000,000) of credits may be allowed under this subsection (a). For tax years beginning January 1, 2018, and thereafter, a maximum of four million dollars ($4,000,000) of credits may be allowed under this subsection (a). For tax years beginning January 1, 2019, and thereafter, a maximum a five million dollars ($5,000,000) of credits may be allowed under this subsection (a).

(4)

(A) A credit may be allowed under this subsection (a) only if the investment is at least fifteen thousand dollars ($15,000) and represents no more than forty percent (40%) of the capitalization of the company at the time of the investment.

(B) Within sixty (60) days of the date of the investment, the angel investor shall apply to the Tennessee technology development

corporation, in a manner to be determined by the Tennessee technology development corporation, for a certificate of qualification under this section. The angel investor shall affirm that all requirements for qualification under subdivision (a)(1) have been met, and shall provide proof of the investment in a form to be determined by the Tennessee technology development corporation. Certificates of qualification shall be issued by the Tennessee technology development corporation on a first-come, first-served basis. The Tennessee technology development corporation shall ensure that the amount of all certificates of qualification issued under this subdivision (a)(4)(B) does not exceed the maximum annual amounts described in subdivision (a)(3).

(C) The angel investor shall submit the certificate of qualification described in subdivision (a)(4)(B) to the department of revenue when claiming a credit under this section.

(5) A qualified angel investor who invests in a company located in a Tier 4 county, as defined in § 67-4-2109(a)(2)(C), shall be allowed a credit of fifty percent (50%) of the value of such investment against the liability of such angel investor under this chapter. The angel investor shall otherwise be subject to all other requirements described in this section.

(b) A review of the cumulative effectiveness of the credit authorized under this section shall be conducted by the Tennessee technology development corporation by July 1, 2020. Such review shall include, but is not limited to, the number and type of businesses that received angel investments, the number of angel investors and the aggregate amount of cash investments, the current status of each business that received angel investments, and the estimated economic impact to the state of

businesses that received an investment under this section. A report containing the findings of the review conducted pursuant to this subsection shall be generated. A copy of the report shall be transmitted to the governor, the speaker of the senate, the speaker of the house of representatives, the chair of the finance, ways and means committee of the senate, the chair of the finance, ways and means committee of the house of representatives, the commissioner of economic and community development, and the commissioner of revenue.

SECTION 2. This act shall take effect January 1, 2017, the public welfare requiring it, and shall apply to tax years beginning on or after January 1, 2017.