

Angel Investment Program (Small Business Capital Investment Tax Incentive Program)

The main objective of the Angel Investment program is to expand early stage investments in targeted Arizona small businesses. The program accomplishes this goal by providing tax credits to investors who make capital investment in small businesses certified by the Arizona Department of Commerce (Commerce).

Income Tax Credit Provisions

An investor seeking an income tax credit must document to Commerce the investment was made in either a qualified rural or bioscience company or any other qualified small business. For a qualified bioscience or rural company, the tax credit may total up to 35% of the investment amount over three years; for any other qualified business, the tax credit may total up to 30% over three years. If the tax credits exceed the investor's income tax liability, any unused tax credit amount may be carried forward for up to three taxable years as long as the investor timely claims the credits with Revenue.

Commerce may authorize up to \$20 million in tax credits to qualified investors beginning July 1, 2006 through June 30, 2011. The tax credits will be authorized on a first come, first served basis, which is established by the date and time the investor files an application with Commerce.

Basic Eligibility Requirements

All the following criteria must be met at the time of investment for the investor to receive an allocation of tax credits.

An investor may be a "qualified investor" eligible for tax credits if it:

1. Is an individual, limited liability company, sub-chapter S corporation, partnership or a family or grantor trust. Excluded entities are corporations subject to tax under title 43, chapter 11, such as C corporations, and certain trusts, such as irrevocable trusts and IRA's or similar retirement accounts. **NEW**
2. Submits an application to Commerce within 30 calendar days after making a qualified investment. If an application is submitted more than 30 calendar days after making an investment, it will be rejected and the investor notified
3. Makes qualified investments in one or more qualified small businesses. The investor and its affiliates may earn tax credits on investments of up to \$250,000 in a single year; investment amounts over \$250,000 do not generate tax credits
4. Does not possess, along with its affiliates, more than 30% of the total voting power of all equity securities of the qualified small business immediately before making an investment

An investment may be a "qualified investment" if it:

1. Is made on or after July 1, 2006
2. Is an equity security
3. Is at least \$25,000 cash or cash equivalent
4. Is not made with funds in an IRA or similar retirement account **NEW**
5. Is reported to Commerce within 30 calendar days after the investment is made

A small business may be a "qualified small business" if it:

1. Is a corporation, limited liability company, partnership or other business entity (Sole proprietors are ineligible)
2. Maintains a portion of its operations in Arizona
3. Has at least two principal non-administrative full-time equivalent employees who are Arizona residents
4. Is in the early stage of development and is not principally engage in statutorily precluded activities as provided in A.R.S. §41-1518(K)(6)
5. Does not engage in activities that involve human cloning or embryonic stem cell research
6. Does not have assets exceeding \$2 million, exclusive of intellectual property and any qualified investment
7. Has not received aggregated qualified investments in excess of \$2 million by all qualified investors in all years

Angel Investment Program Tax Credit Allocation Table Last Updated 1/29/2010

Maximum Available	Authorized Tax Credits	Remaining Allocation	Requested Tax Credits	Remaining Allocation if Requested Tax Credits are Authorized
\$20,000,000	\$6,209,024	\$13,790,976	\$7,108,117	\$12,891,883

Disclaimer: Neither the State of Arizona, Commerce, nor their employees warrants the accuracy or reliability of the information and transactions of qualified investors or qualified small businesses and do not endorse any content, viewpoints, products, or services and shall not be held liable for any losses caused by reliance on the accuracy, reliability or timeliness of such information. Any person or entity that relies on any program information, certifications or authorizations from Commerce does so at his or her own risk. Commerce's determination of a qualified investor, qualified small business or qualified investment is only for the purposes of eligibility under the Angel Investment program.

Limitations:

1. Commerce cannot authorize more than \$20 million in tax credits from July 1, 2006 through June 30, 2011.
2. Commerce cannot authorize tax credits in an amount more than 35% of the investment in a rural or bioscience company; nor can Commerce authorize tax credits in an amount more than 30% of the investment in any other company.
3. Commerce cannot authorize credits to an investor and its affiliates for qualified investment amounts that exceed \$250,000 in a single calendar year for one or more qualified small businesses.
4. Commerce cannot authorize credits to qualified investors and its affiliates for qualified investment amounts that exceed an aggregate of \$2 million in a single qualified small business for all years.
5. Credits expire if not timely claimed. Commerce cannot reissue unused or expired tax credits under this program; nor shall they be returned to the \$20 million tax credit maximum.
6. If sufficient tax credits are not available under the program as described in #1 of this section, to satisfy the requested amount in an application, Commerce may offer the remaining program tax credit amount. The qualified investor may either accept any remaining amount of credits or withdraw the application. The investor must submit a written response to Commerce within 10 business days of the investor's receipt of the offer or the offer of credits expires and the application will be considered withdrawn.
7. If an investor requests tax credits that exceed the limits described in #3 or #4 of this section, Commerce may offer a reduced amount of tax credits. The qualified investor may either accept the reduced amount or withdraw the application. The investor must submit a written response to Commerce within 10 business days of the investor's receipt of the offer or the offer of credits expires and the application will be considered withdrawn.