

Angel Investor Tax Credit Program

The Angel Investor Tax Credit Program is intended to achieve the following purposes:

- (1) To encourage third parties to invest in early stage wealth-creating businesses in the state.
- (2) To expand the economy of the state by enlarging its base of wealth-creating businesses.
- (3) To enlarge the number of quality jobs available to retain the presence of young people educated in Louisiana.

Investments made on or after January 1, 2011, by qualifying individuals or entities that invest in Louisiana Entrepreneurial Business may apply for, and if qualified, be granted a tax credit.

The program will be administered by the Louisiana Department of Economic Development.

QUALIFICATIONS

To qualify for a tax credit, the investor and the investment shall meet all of the following requirements:

- (1) The investment into the business is at risk and not secured or guaranteed. The repayment of the investment is entirely dependent on the success of the Louisiana Entrepreneurial Business.
- (2) The funds invested by applicant must be raised legally.
- (3) An angel investor or investors cannot be the principal owner or owners of the business who are involved in the operation of the business as a full-time professional activity; nor can their spouses and relatives within a third degree of consanguinity or affinity. (50% = principal ownership)
- (4) The investment proceeds must be used for capital improvements, plant equipment, research and development, working capital for the business, or other business activity that is approved by LED.
- (5) The investor applicant must meet the definition of accredited investor. (Securities Act of 1933)
- (6) The investment by the applicant must be maintained for three years unless otherwise approved by LED.

To qualify for a tax credit, the Louisiana Entrepreneurial Business shall meet all of the following qualifications:

- (1) Principal business operations must be located in Louisiana.
- (2) LED must approve the business as one which may receive investments which may qualify for a tax credit prior to the investment.
- (3) The business must demonstrate that it will be a wealth-creating business for Louisiana (demonstrate that more than 50% of sales will be from outside Louisiana).
- (4) The business is not engaged in retail, real estate, professional services, gaming, natural resource extraction/exploration, or financial services including venture capital funds.

TAX CREDITS

- (1) Total amount of tax credits granted by LED in any calendar year shall not exceed five million dollars.
- (2) The department shall by rule establish the method for allocating available tax credits to investors, including but not limited to first come, first served system.
- (3) The amount of residual unused tax credits shall rollover to subsequent years. The unused credits are not subject to the five million dollar limit.
- (4) The credits approved by the department shall be granted at a rate of 35% of the amount of the investment with the credit divided in equal portions for five years.**
- (5) After certifying eligibility and amount of investment, LED shall issue a tax credit certificate.
- (6) The tax credit available in the first year shall become deductible from tax liability in the taxpayer's income tax year which occurs twenty-four months from the date the department certifies the amount of the investment.

CHANGES

- (1) If at the close of any calendar year in the five-year period beginning with the first year which a tax credit certificate was issued to an investor, the Louisiana Entrepreneurial Business is no longer domiciled in Louisiana, the tax credit shall be recaptured from the investor unless change of domicile is the result of a merger, consolidation, or other acquisition of such business with or by a party not affiliated with the business.
- (2) If at the close of any calendar year in the three-year period beginning with the first year a tax credit certificate was issued to an investor, the investor transfers the equity received in connection with the qualified investment, the tax credit shall be recaptured from the investor unless the transfer results from any of the following circumstances:
 - a. The liquidation of the business issuing the equity;
 - b. The merger, consolidation, or other acquisition of such business with or by a party not affiliated with the business; or
 - c. The death of the investor.

TRANSFERABILITY OF THE CREDIT

Any Angel Investor Tax Credits not previously claimed by any taxpayer against its tax may be transferred or sold to another Louisiana taxpayer, subject to the following conditions:

- (1) A single transfer or sale may involve one or more transferees. The transferee of the tax credits may transfer or sell such tax credits subject to the conditions of this Subsection.
- (2) Transferors and transferees shall submit to LED and the Department of Revenue in writing, a notification of any transfer or sale of tax credits within thirty days after the transfer or sale of such tax credits. The notification shall include:
 - The transferor's tax credit balance prior to transfer
 - A copy of any tax credit certificate issued by the secretary of the Department of Economic Development;
 - The transferor's remaining tax credit balance after transfer
 - All tax identification numbers for both transferor and transferee.

- The date of transfer.
- The amount transferred
- The price paid by the transferee to the transferor, and
- Any other information required by the department or the Department of Revenue.

(3) Failure to comply with this Subsection will result in the disallowance of the tax credit until the taxpayers are in full compliance.

(4) The transfer or sale of this credit does not extend the time in which the credit can be used. The carry forward period for credit that is transferred or sold begins on the date on which the credit was earned.

(5) To the extent that the transferor did not have rights to claim or use the credit at the time of the transfer, the Department of Revenue shall either disallow the credit claimed by the transferee or recapture the credit from the transferee through any collection method authorized by this Section or R.S. 47:1561. The transferee's recourse is against the transferor.