

# HOUSE RESEARCH

## Bill Summary

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### Overview

Authorizes \$3 million in tax credits for investments in qualified high technology fields, including aerospace, agricultural processing, alternative energy, biotechnology, defense, drug delivery, environmental engineering, food technology, cellulosic ethanol, information technology, green manufacturing, materials science technology, medical devices, nanotechnology, pharmaceutical technology, and telecommunications.

#### Section

**1 Investment tax credit.** Allows a 25-percent investment tax credit for qualifying taxpayers' investments in qualifying new bioscience business ventures, with the maximum credit statewide limited to \$3 million. The credit applies to both the individual income tax and the corporate franchise tax. The credit is limited to the least of the following amounts:

- The liability for individual income or corporate franchise tax, including the alternative minimum taxes
- \$25,000 for an individual who is not part of a partnership
- \$300,000 for a C-corporation, or a pass-through entity (e.g., a partnership or S corporation) and a partner or shareholder is limited to \$25,000 for an individual

## Section

partner or shareholder

Amounts in excess of tax liability are carryovers to the next 10 taxable years.

**Qualified taxpayers** are defined as accredited investors under SEC Regulation D who do not own 20 percent or more of the outstanding securities of the qualified business. Under Regulation D, accredited investors generally are high income and net worth individuals or entities with substantial assets.

Individuals and entities apply to the commissioner of the Department of Employment and Economic Development (DEED) for certification as qualifying taxpayers. DEED is to certify applicants on a first-come-first-served basis, and authorized to issue up to \$3 million of credit certificates.

**Qualifying businesses** are defined as meeting the following requirements:

- Its headquarters are in Minnesota .
- It has fewer than 25 employees and at least 51 percent of them are located in Minnesota .
- The business is engaged in
  - using advanced technology to add value to a product, process, or service in a qualified high technology field,
  - conducting research and development of a product, process, or service in a qualified high technology field, or
  - developing a new product, process, or service in a qualified high technology field

“Qualified high technology field” is defined as including aerospace, agricultural processing, alternative energy, biotechnology, defense, drug delivery, environmental engineering, food technology, cellulosic ethanol, information technology, green manufacturing, materials science technology, medical devices, nanotechnology, pharmaceutical technology, and telecommunications.

- The business may not be engaged in real estate development, insurance, banking, lending, lobbying, political consulting, information technology consulting, retail or wholesale trade, leisure, hospitality, transportation, construction, ethanol production from corn, or professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants.

**Section**

- It has not been in operation for more than 10 consecutive years.
- It does not have more than \$1 million in annual gross sales.
- It has not received more than \$1 million in investments that qualify for the credit or more than \$2 million in private equity investment (regardless of whether they qualify for the credit).
- It cannot be an affiliate or subsidiary of business with more than 100 employees or gross annual sales of \$1 million or more.

**Effective date:** DEED would begin issuing credit certificates in tax year 2008.