Iowa's Venture Capital Tax Credits

Tax Credits Program Evaluation Study

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Preface

During the 2005 Legislative Session the Iowa Department of Revenue received an appropriation to establish the Tax Credits Tracking and Analysis Program to track tax credit awards and claims. In addition, the Department was directed to assist the legislature by performing periodic economic studies of tax credit programs. This is the first economic study completed for the Venture Capital Tax Credit – Qualifying Business or Community-Based Seed Capital Fund.

As part of the evaluation, an advisory panel was convened to provide input and advice on the study's scope and analysis. We wish to thank the members of the panel:

Kristin Hanks	Iowa Economic Development Authority
David Hensley	University of Iowa, John Pappajohn Entrepreneurial Center
Jim McNulty	Iowa Department of Revenue
Curt Nelson	EDC, Inc.
Peter Orazem, PhD	Iowa State University
Dustin Thomas	Midwest Growth Partners

The assistance of an advisory panel implies no responsibility for the content and conclusions of the evaluation study.

This study and other evaluations of Iowa tax credits can be found on the Tax Credits Tracking and Analysis Program web page on the Iowa Department of Revenue website.

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Executive Summary

The Venture Capital Tax Credit – Qualifying Business or Community-Based Seed Capital Fund (QBSC) is allowed for equity investments made into a qualifying business or community-based seed capital fund that has been approved by the Economic Development Authority (EDA). The intent of the tax credit is to encourage "angel investors" to make investments in start-up companies in Iowa.

The amount of the QBSC Tax Credit is equal to 20 percent of the investment. Since fiscal year 2012, the QBSC Tax Credit has an annual tax credit program cap of $2 million and is administered by EDA. The QBSC Tax Credit is a nonrefundable tax credit, which means a claim to the credit is limited to tax liability. The credit can be claimed against corporation income tax, individual income tax, franchise tax, insurance premium tax, and moneys and credits tax.

The QBSC Tax Credit was initially available in 2002 and was administered by the Iowa Capital Investment Board (ICIB) with the assistance of the Iowa Department of Revenue (IDR). Taxpayers were required to wait three years after receiving an award for a qualifying investment to claim the tax credit. The tax credit had an aggregate $10 million award cap. That cap was not exhausted in the first three years of the tax credit's existence as anticipated. In 2005, the maximum net worth for qualifying businesses was increased from $3 million to $10 million, expanding the number of qualifying businesses. The tax credit continued to be awarded until fiscal year 2008 when the last of the $10 million was awarded to investors.

The major findings of the study are these:

Equity Investment Tax Credits Around the United States

- Twenty-nine states have had an equity investment tax credit at one time. Five states have either allowed their credit to sunset or the tax credit has been repealed.

- Four of Iowa's neighboring states, Illinois, Minnesota, Nebraska, and Wisconsin, have similar equity investment tax credits. In Nebraska, the tax credit is equal to 35 percent in non-distressed areas and 40 percent in distressed areas; in the other three states the tax credit is equal to 25 percent.

- The tax credits in Minnesota and Nebraska are refundable. Other than these two states which border on Iowa, Maryland is the only other state to have a refundable equity investment tax credit.

- Tax credit program caps vary widely between the states. Vermont has a lifetime program cap of $286,000. Most states have an annual cap; Colorado and New Mexico have the lowest annual caps at $750,000 and Wisconsin has the largest annual cap of $41 million.

Literature Review

- A 2014 evaluation of the Minnesota Small Business Investment Tax Credit found that over 75 percent of taxpayers either made an investment that they would not have made otherwise or increased the amount of the investment made because of the availability of the refundable 25 percent tax credit (Economic Development Research Group, 2014).

- Only 18 percent of investors who received the Minnesota tax credit reported that they would have made the same investment regardless of the tax credit. Almost half of the respondents said they would not have made the investment if not for the existence of the tax credit.

Qualifying Business or Community-Based Seed Capital Tax Credit Awards and Claims

- During the first six years in which funds were available for QBSC Tax Credit awards, 2,895 awards totaling $8.9 million were made to Iowa residents, and 381 awards totaling $1.1 million were made to nonresidents.

- Between tax years 2005 and 2013 over 3,800 QBSC Tax Credit claims have been made, totaling over $5.2 million of the $10.0 million awarded. The average QBSC Tax Credit claim between 2005 and 2013 is just under $1,400.

- For investments made in 2002 through 2005, 45 percent of QBSC Tax Credits expired, totaling nearly $1.9 million. This is a very high rate of tax credit expiration for Iowa nonrefundable tax credits.

Characteristics of Qualifying Businesses Receiving Investments

- Under the QBSC Tax Credit program, over $44 million was invested in 30 qualifying businesses between 2002 and 2007. Investments in qualifying businesses were slow to get started with an average of only $1.7 million invested in each of the first three years. After a legislative change increasing the eligible net worth of qualifying businesses from $3 million to $10 million, the following year investments increased to $9.7 million and increased to $19.0 million in 2006. Because the program was nearing its tax credit cap, investments fell in 2007 to $10.8 million.

- The legislative change increasing the allowable net worth of qualifying businesses allowed investments in biofuel production companies to become eligible for the QBSC Tax Credit. Approximately two-thirds of the qualifying investments were made in biofuel production companies.

Considerations Regarding Community-Based Seed Capital Funds

- A total of nine community-based seed capital funds received investment incentivized by the credit. These funds received just 16 percent of the eligible investments.

- Discussions with two fund managers suggest that the limited usage of this investment tool is closely related to the restrictions that were placed on these funds including the $3 million limitation on capital commitments.

- This limit results in the inability to attract high-quality management, the inability to sufficiently diversify the holdings of the fund, disincentives for an existing fund to expand, and the reduced likelihood that the actions of the fund in a community will be large enough to have an impact on the start-up community.

Estimated Impacts of the Venture Capital Tax Credit on Firm Outcomes

- An analysis conducted by Iowa State University matched the qualifying businesses to proprietary firm information. The analysis matched 52 businesses that were approved as qualifying businesses, of which only 28 received investments that qualified for tax credits. In addition, the qualifying businesses were matched to other Iowa start-up businesses (control businesses) in similar industries who did not qualify for the tax credit program.

- Just over 70 percent of firms were still in business as of 2011 with an average firm age of 6 years. Similar new Iowa firms outside of the QBSC program had slightly lower survival rates.

- On average, designated qualifying businesses averaged $4 million more in sales than the control firms in the same sector. The analysis also estimated that qualifying businesses had 1.3 more employees on average than the control firms.

- The 28 qualifying businesses that received investments employed almost 200 people, which is an estimated 36 more employees than if the businesses not been included in the QBSC Tax Credit program. Those same firms had sales of over $150 million of which an estimated $112 million is associated with being a qualifying business. Because the sample size is so small (which makes the uncertainty about the estimates large) the authors cannot rule out that the actual impact of the program on employment and sales is zero.

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I. Introduction

Venture capital is most simply defined as capital invested in a project in which there is a substantial element of risk, typically a new or expanding business. Some state leaders view having access to venture capital funds as an important part of boosting new business and the general economy in their state. For that reason, those states offer tax credits to investors in an effort to increase access to venture capital for in-state businesses. This study examines the venture capital tax credits in Iowa, with a focus on the Venture Capital Tax Credit – Qualifying Business or Community-Based Seed Capital Fund Tax Credit.

Section II of the study describes the Iowa Venture Capital Tax Credits. Section III provides information about similar tax credits in other states. Section IV contains a review of literature on the topic of equity investment tax credits. Section V presents data regarding Venture Capital Tax Credit awards and claims. Section VI provides the estimated impacts of the Venture Capital Tax Credits on business survival and growth and Section VII concludes the study.

II. Iowa Venture Capital Tax Credits

Iowa has had several different tax credits that encourage venture capital investments. One of the current tax credits, and the main focus of this study, is the Venture Capital Tax Credit – Qualifying Business or Community-Based Seed Capital Fund (QBSC). This tax credit is allowed for equity investments made into a qualifying business or community-based seed capital fund that has been approved by the Economic Development Authority (EDA). The intent of the tax credit is to encourage "angel investors" to make investments in start-up companies. The amount of the QBSC Tax Credit is equal to twenty percent of the investment.

The QBSC Tax Credit has had an annual tax credit program cap of $2 million since fiscal year 2012 when the administrative responsibilities for the tax credit were transferred to EDA. When the tax credit was initially enacted, effective January 1, 2002, the tax credit was capped at $3 million annually for investments made in qualifying businesses or funds during 2002 and 2003 and capped at $4 million for investments made in 2004. The credit was initially administered by the Iowa Capital Investment Board (ICIB) with the assistance of the Iowa Department of Revenue (IDR). The aggregate $10 million award cap was not exhausted in the first three years of the tax credit's existence as anticipated. In 2005 the Legislature increased the maximum net worth for qualifying businesses from $3 million to $10 million. The tax credit continued to be awarded until fiscal year 2008 when the last of the $10 million of the program cap was finally awarded to investors (see Table 1). Those investments were made in qualifying businesses or community-based seed capital funds approved by ICIB. Investors submitted applications to ICIB for tax credit awards based on their amount of investment, the tax credit certificates were then issued by ICIB with the administrative help of IDR. Those responsibilities are now handled by EDA.

The QBSC Tax Credit is a nonrefundable tax credit, which means a claim to the credit is limited to tax liability. Unused tax credits can be carried forward against future tax liability for up to five years. The credit can be claimed against corporation income tax, individual income tax, franchise tax (paid by financial institutions), insurance premium tax, and moneys and credits tax (paid by credit unions). When the QBSC Tax Credit was first enacted, taxpayers were required to wait three years after the investment was made and tax credit certificate was awarded before claiming their QBSC Tax Credit. For example, a taxpayer who made an investment in January 2008 could not claim the tax credit until the 2011 tax year. The requirement was put into place to delay the initial fiscal impact of the tax credit which was enacted during an economic slowdown. During the 2014 Legislative Session the credit was changed effective for investments in qualifying businesses made after January 1, 2015, eliminating the need for a taxpayer to wait three years after making an investment before claiming the tax credit; however, credits awarded for investments made since fiscal year 2012 can first be claimed on returns filed on or after January 1, 2016, or tax year 2015 returns. Taxpayers awarded tax credits for investments made in community-based seed capital funds must still wait three years before making claims regardless of the date of investment.

Taxpayers are limited to investments in five qualifying businesses in a year and each investor is limited to receiving $50,000 of QBSC Tax Credits for investments in each qualifying business. That effectively caps a taxpayer to $250,000 of QBSC Tax Credits each year, but a married couple counts as two taxpayers.

For Iowa's QBSC, in order to be certified as a qualifying business, both currently and during the prior administration of the tax credit, the business must meet the following eligibility requirements:

- The principal business operations of the business must be located in Iowa.
- The business must have been in operation for six years or less, as measured from the date of the investment for which a tax credit is claimed.
- The business must have an owner who has successfully completed one of the following:
    - An entrepreneurial venture development curriculum, such as programs developed by a John Pappajohn Entrepreneurial Center, or a holistic training program recognized by EDA which generally includes entrepreneurial training, management team development, intellectual property management, market research and analysis, sales and distribution development, financial planning, and management and strategic planning.
    - Three years of relevant business experience.
    - A four-year college degree in business management, business administration or a related field.
    - Other training or experience sufficient to increase the probability of success of the qualifying business.

- The business cannot be a business engaged primarily in retail sales, real estate, or the provision of health care services or other services requiring a professional license.
- The business must have a net worth or $5 million or less as of the date of the investment for which the credit is claimed (under the initial tax credit, the net worth limit was $3 million from 2002 through 2004, then increased to $10 million for 2005 until the cap was exhausted in fiscal year 2008).
- Within 24 months from the first date on which the equity investments qualifying for investment tax credits have been made, the business shall have secured total equity, or near equity financing, equal to at least $250,000.[1]

A community-based seed capital fund also has eligibility requirements. Those requirements include:

- The fund must be organized as a limited partnership or limited liability company.
- The fund has a total of capital commitments from both investors and investments in Qualifying Businesses of at least $125,000, but not more than $3 million.
- If the fund is either a rural business investment company under the Rural Business Investment Program of the federal Farm Security and Rural Investment Act of 2002 or an Iowa-based seed capital fund with at least 40 percent of its committed capital subscribed by community-based seed capital funds, the fund may have more than $3 million of capital commitments from both investors and investments in qualifying businesses.
- The fund has at least five investors who are not affiliates, defined as a spouse, child, or sibling of an investor, with no single investor and affiliates of that investor owning a total of more than 25 percent of the ownership interests outstanding in the fund.

The State of Iowa also has enacted three other credits incentivizing venture capital in Iowa including the Venture Capital Tax Credit – Iowa Fund of Funds. This tax credit went into effect on January 1, 2002 and is a contingent tax credit allowed for investments made into the Iowa Fund of Funds. The goal of the tax credit program was to increase business development in Iowa, create jobs, and diversify the economy by leveraging funds for venture capital investment with State backing through the tax credits. When the tax credit was enacted, the aggregate tax credit cap was initially set at $100 million, with a restriction that no more than $20 million can be claimed in any year. Effective April 15, 2010, the aggregate tax credit cap was reduced to $60 million; the $20 million restriction remained in place. The program is winding down and will expire upon the termination of the Fund of Funds Agreement or on December 31, 2027, whichever is later. This tax credit program was evaluated in 2012 by the Legislative Tax Committee and is scheduled to be reviewed again in 2017. This credit is outside of the scope of this evaluation study and therefore will not be discussed further.

A third venture capital tax credit in Iowa is the Innovation Fund Tax Credit available effective January 1, 2011. The nonrefundable 25 percent tax credit is allowed for

[1] Near equity financing is convertible debt.

investments in an innovation fund certified by the Economic Development Authority (EDA). The certified Innovation Funds make investments in promising early-stage companies that have a principal place of business in the state of Iowa. Innovative businesses can include, but are not limited to, businesses engaged in advanced manufacturing, biosciences, and information technology. The program has an award cap of $8 million per fiscal year. Tax credit certificates could not be issued before September 1, 2014 and new Innovation Funds cannot be certified after June 30, 2018. Because the first Innovation Fund Tax Credits have just been awarded and the program is scheduled to be evaluated in 2017, this tax credit is outside the scope of this study.

The final venture capital credit is the Venture Capital Tax Credit – Venture Capital Funds (VC) available between January 1, 2002 and June 30, 2010. This tax credit was equal to six percent of equity investments made in venture capital funds that had been certified by ICIB. Like the QBSC Tax Credit, the VC Tax Credit was nonrefundable with a five year carryforward and could be claimed against corporation income tax, individual income tax, franchise tax, insurance premium tax, and moneys and credits tax. The tax credit had an aggregate tax credit cap of $5 million; just over half of that cap was ever awarded before its repeal in 2010 (see Table 2). During the nine years the VC Tax Credit was in place, a total of 15 venture capital funds received investments totaling $45.4 million. Some of those funds receiving investments after 2007 were community-based seed capital funds certified under the QBSC Tax Credit which became eligible for the VC Tax Credit once the $10 million cap for the QBSC Tax Credit was exhausted. Because the VC Tax Credit is no longer in existence, the analysis of this credit included in this study will be limited.

Between 2003 and 2010, the QBSC and VC Tax Credits combined were awarded for nearly $93 million in investments. Nearly $42 million of those investments were made in qualifying businesses, $8 million in community-based seed capital funds, and another $43 million of the investments made were in venture capital funds.

III. Equity Investment Tax Credits Around the United States

There are twenty-nine states that have, at some point, encouraged the growth of venture capital through the use of tax credits (see Table 3). Of those twenty-nine states, twenty-three states currently have equity investment tax credit programs in place. Hawaii, Indiana, Michigan, North Carolina, Ohio, and Oklahoma all had equity investment tax credits that have either been allowed to sunset or that have been repealed.

Like Iowa's QBSC Tax Credit, Indiana and Vermont have a tax credit rate of 20 percent. Vermont requires the tax credit to be spread over five years with four percent claimed in each of those five years, but can only reduce the taxpayer's tax liability up to 50 percent in any year. This is the lowest tax credit rate offered among the states.

There are six states that offer a tax credit rate of 25 percent of the qualified investment. Three of those states, Illinois, Minnesota, and Wisconsin, neighbor Iowa. Unlike Iowa's credit, Minnesota's Angel Tax Credit is refundable but can only be claimed against individual income tax. Wisconsin has two nonrefundable tax credits; both have a credit rate equal to 25 percent of the qualified investment. The Wisconsin Angel Investor Tax Credit can only be claimed against individual income tax; however, the Wisconsin Early Stage Seed Investment Tax Credit can be claimed against corporation income and fiduciary taxes, in addition to individual income tax. The Illinois Angel Investment Credit is also nonrefundable and can be claimed against individual income tax, corporation income tax, and fiduciary income tax. The other states offering a 25 percent credit are Colorado, Connecticut, and New Mexico. Colorado and Connecticut also offer an additional 5 percent tax credit when the equity investment is made to a business that is in a rural or economically distressed area. Similarly, Arizona offers an additional 5 percent to the base credit of 30 percent when the investment is made in a rural or bioscience company. No other state has a 30 percent credit, although Arkansas has a tax credit rate of 33 1/3 percent and Georgia, Louisiana and South Carolina have tax credits of 35 percent of the qualified investment.

Kentucky has a tax credit rate of 40 percent of the qualified investment and North Dakota offers a tax credit rate of 45 percent of qualified investments. The five remaining states with equity investment tax credits have tax credits rates of 50 percent of the qualified investment. Kansas is the only state in the plains region of the U.S. to have a tax credit rate that high. The remaining four states are on the east coast. Maine, Maryland, Rhode Island, and Virginia all of have equity investment tax credit programs with the highest rate offered, 50 percent.

Most states' equity investment tax credits are nontransferable. This means that the taxpayer who is awarded the tax credit is the only entity that can claim the tax credit. The exceptions include the Arkansas Equity Investment Tax Credit which can be sold to an alternate taxpayer, but the sale of the credit must occur within one year of the issuance of the tax credit. The only other exceptions are the Wisconsin Early Stage Seed Investment Tax Credit, the Iowa Innovation Fund Tax Credit, and the Iowa Fund of Funds Tax Credit. It should be noted that the Wisconsin Angel Investor Tax Credit cannot be transferred to another taxpayer.

Three states have fully refundable equity investment tax credits. Those states are Maryland, Minnesota, and Nebraska. When a tax credit is refundable, the amount of the tax credit that exceeds the taxpayer's tax liability is refunded back to the taxpayer. Because these states' credits are fully refundable these states do not have any carry forward provision. In Maine, the Seed Capital Tax Credit Program is refundable for investments made by private venture capital funds. For all other investments, the tax credit is nonrefundable, but can be carried forward fifteen years.

In addition to Maine, Kentucky, Virginia, and Wisconsin also have fifteen year carry forward provisions. Only Kansas allows a longer carry forward period, as there is no restriction on the number of years a Kansas Angel Investor Tax Credit can be carried forward. Louisiana and South Carolina both have ten year carry forward periods. The only other states that allow a longer carry forward period than Iowa are Arkansas and North Dakota which have carry forward periods of nine and seven years, respectively.

Iowa's QBSC Tax Credit allows for the credit to be carried forward five years. Colorado, Connecticut, and Indiana also have five year carry forward periods. Vermont allows its equity investment tax credit to be carried forward for a period of four years. Four states, Arizona, Georgia, New Mexico, and Rhode Island, have carry forward periods of three years.

The amount of funds each state sets aside to be issued for equity investment tax credits varies widely. There are three states that have lifetime caps for their equity investment tax credits; Arizona has the largest lifetime cap of $20 million while Vermont has a lifetime cap of $286,000. Rhode Island limits the amount of venture capital tax credits issued to $1 million every two years.

All other states administer their caps on an annual basis. Some states, like Iowa, operate on a fiscal year basis and other states operate on a calendar or tax year basis. When the annual cap of the QBSC Tax Credit is combined with the Innovation Fund Tax Credit cap, Iowa allocates $10 million per fiscal year toward equity investment tax credits. Five states' annual caps exceed Iowa's $10 million annual cap, Georgia also has a $10 million annual cap and nine states' caps fall below $10 million. Colorado currently has the smallest annual allocation to equity investment tax credits at $375,000 per year, which will increase to $750,000 after 2014. Wisconsin has the largest annual cap at $41 million, when the caps for both equity investment tax credits are combined. Kentucky follows closely with a $40 million annual program cap for its Investment Fund Tax Credit.

In addition to Colorado, only Maine and New Mexico have annual caps under $1 million. Maine allots $675,000 per year, but is increasing that amount to $4 million in 2015 and $5 million in 2016. New Mexico allows up to $750,000 of Angel Investment Tax Credits to be awarded each year. Minnesota has an annual cap of $12 million. This is the same amount as Maryland and $500,000 less than Indiana. The remaining seven states have annual caps that range from $3.0 million in Nebraska to $6.25 million in Arkansas.

Some states limit the amount of tax credit individual taxpayers can be awarded each year. In Iowa, taxpayers are limited to $250,000 of QBSC Tax Credits each year. The taxpayer is also limited to receiving $50,000 of QBSC Tax Credits for investments in each qualifying business in a year. There is no limit to the amount of Iowa Innovation Fund Tax Credits a taxpayer can be awarded. Kansas's Angel Investor Tax Credit has the same taxpayer/business restrictions as the QBSC Tax Credit.

Some states do not impose any limit on the tax credits that can be received by the taxpayer making the investment, but impose limits on the amount of tax credits that can be awarded for investment in each business. For example, in Louisiana, only $1 million of investments in each business can qualify for credits in a given year. Over all years, each business is limited to a total of $2 million in investments for which tax credits can be received.

Another characteristic that varies from state to state is the taxes against which equity investment tax credits can be claimed. Iowa allows the tax credits to be claimed against individual income tax, corporation income tax, franchise tax, insurance premium tax, and the moneys and credits tax. Nine states allow equity investment tax credits to be claimed only against individual income tax.

Ten states, including Iowa, require some delay in claiming the tax credit after the investment. Iowa's three year delay for credits awarded for investments in community-based seed capital funds is the longest, Georgia requires a two year delay, and Kentucky and North Carolina require a one year delay. Wisconsin and South Carolina require the credit to be taken equally over two years. The four other states, Arizona, Hawaii, Maine, and Vermont, require the claim to be spread over three or four years.

States also have different requirements when it comes to determining what makes a qualified investor, which investments are qualified, and what characteristics denote a qualified business (see Table 4). For Iowa's QBSC Tax Credit, the investor cannot have an interest of more than 70 percent in the business but there are no restrictions on qualifying investments such as a minimum investment amount.

While the specifics for qualifying businesses vary from state to state, like Iowa, most states require that at least a portion of a business' operations be located in the state that is offering the tax credit. Many states also put restrictions on the size of the business (determined by revenues, net worth, assets, number of employees, etc.), the age of the business, and/or the type of business. Some states require the investments to focus on high-tech or innovative businesses.

As mentioned earlier, neighboring states that have equity investment tax credits are Illinois, Minnesota, Nebraska, and Wisconsin. The Minnesota Angel Tax Credit requires that the business be headquartered in Minnesota, as well as have at least 51 percent of its employees and payroll in state. Illinois and Nebraska also require qualified businesses be headquartered in the state and have at least 51 percent of employment in the state. Somewhat uniquely, Minnesota's program also sets wage requirements for qualifying businesses. The qualifying business must pay annual wages of at least 175 percent of poverty level, which in 2014 is $41,738 or $20.07 per hour; if the business has interns they must be paid at least 175 percent of federal minimum wage (or at least $12.69 per hour). The business must also have been in operation for less than ten years, although if the business is related to medical devices or pharmaceuticals that require FDA approval, that requirement is extended to twenty years.

The Minnesota Angel Tax Credit also requires that the business was not disqualified from investment under the Small Corporation Offering Registration. The business may not have issued securities that are traded on public exchanges within 180 days after a qualified investment. If the business has received private equity investments exceeding $4 million, the business no longer qualifies under the Minnesota tax credit program.

The Wisconsin Angel Investor and Early Stage Seed Investment Tax Credits have similar restrictions as the Minnesota tax credit. These credits also require that the business be headquartered in Wisconsin and that at least 51 percent of the company's employees be located in Wisconsin. Wisconsin limits the size of the qualifying business to less than 100 employees. The business must not have been in operation for more than 10 consecutive years. If the business has received private equity cash investments of more than $10 million prior to being certified, the business will not be certified as a qualified business. The business is also no longer qualified once it has received $8 million in investments that qualify for the Early Stage Seed Investment Tax Credits. There are also additional requirements and restrictions when it comes to the type of businesses that are eligible to be qualified businesses under these tax credit programs in Wisconsin.

To be qualified for the Illinois Angel Investment Tax Credit, a business must have fewer than 100 employees and been in operation for no more than ten years. The business must be engaged in innovation. Qualified businesses for the Nebraska Angel Investment Tax Credit must have fewer than 25 employees.

IV. Literature Review

The purpose of most tax credits is to promote specific behavior. In the case of Iowa's venture capital tax credits, the intent is to increase the number of innovative businesses starting-up in Iowa. Many states have used tax policy to "attract start-ups and the industries that surround them (by enacting)…investor credits, research and development credits, sales and use credits, community-backed venture capital funds, incubator credits, income tax credits and tax-free zones." (Piche, 2014)

There are several ways to fund new business ventures, with the most traditional source of funding being bank loans. Unfortunately, for many start-up companies, the amount of risk involved in the early stage of a new business venture is too high to obtain traditional bank loans. This is where angel investors help to get these start-up companies off the ground. "Angel investors play a crucial role in the economy that no one else is willing to fill: they make personal, risky bets on start-up companies that have the potential to create significant numbers of well-paying jobs" (Weaver, 2012). Venture capital funds play a similar role, but often prefer to invest in more established start-ups.

The question that is often asked concerning equity investment, or venture capital, tax credits is whether or not the investment would have been made without the presence of the tax credit. A 2014 evaluation of the Minnesota Small Business Investment Tax Credit found that over 75 percent of taxpayers receiving the tax credit either made an investment that they would not have otherwise made or increased the amount of the investment made (Economic Development Research Group, 2014). The study surveyed investors who received the tax credit and only 18 percent responded that that they would have made the same investment regardless of the tax credit. Almost half of the respondents said they would not have made the investment if not for the existence of the tax credit. Although the Minnesota tax credit rate is 25 percent compared to Iowa's 20 percent, the main difference between Minnesota's tax credit and Iowa's tax credit is that Minnesota's tax credit is refundable.

The evaluation of the Minnesota tax credit also included economic and fiscal impacts as a result of the qualifying investments made between 2010 and 2012. The total amount of tax credits issued over this time period totaled $34.2 million and generated qualified investments totaling $138.6 million. It was estimated that approximately 512 jobs were created, including both direct and indirect employment attributed to the investments.[2] That employment was estimated to generate $70.9 million in labor income and resulted in an additional 114 Minnesota residents (Economic Development Research Group, 2014).

V. Analysis of Venture Capital Tax Credit Awards, Claims, and Investments

A. Qualifying Business or Community-Based Seed Capital Tax Credit Awards and Claims

During the six years in which funds were available for QBSC Tax Credits, 2,895 awards totaling $8.9 million were made to Iowa residents, where residency is based on the taxpayer address provided on the tax credit application (see Table 5). An additional 381 awards totaling $1.1 million were made to nonresidents. The majority of those awards were issued to individual income taxpayers, which accounted for over 90 percent of the number of awards and 87 percent of the amount of awards made (see Table 6). The average tax credit awarded to individual income taxpayers was $2,911. Insurance companies received the next largest amount of awards totaling almost $0.5 million with an average award of $18,271, the highest average for any tax type.

The first qualifying investments under the QBSC Tax Credit were made in 2002; therefore, with the three year delay in place at the time, the first tax credits could be claimed in tax year 2005. Tax credit claims started being tracked in tax year 2006 with the IA 148 Tax Credits Schedule, although efforts were made to identify tax credit awards that were claimed in the 2005 tax year. Because the tax credit certificates issued for investments made between 2002 and early 2006 did not include tax credit certificate numbers, those claims are more difficult to track. Despite taxpayers being required to specify the tax credit claim type beginning in tax year 2006, many taxpayers incorrectly claimed the venture capital tax credits as investment tax credits (a type of credit awarded by Economic Development Authority to businesses for investments they make to locate or expand in Iowa). Without tax credit certificate numbers, those claims are hard to identify.

[2] Direct employment is defined as employment by a Minnesota Qualified Small Business that received tax credit qualifying investments. Indirect employment is defined as employment generated at other firms in Minnesota that conduct business-to-business transactions with a Minnesota Qualified Small Business.

Just over half of the QBSC Tax Credits awarded for investments made in the last decade have been claimed through the most recent tax year (see Table 7). Between tax years 2005 and 2013 over 3,800 QBSC Tax Credit claims have been made totaling over $5.2 million of the $10.0 million awarded. The average QBSC Tax Credit claim between 2005 and 2013 is just under $1,400. Identification and verification of tax year 2012 and 2013 claims is incomplete. As might be expected, the majority of claims were made against individual income tax with the average claim being $1,330 (see Table 8). Corporation income tax had the lowest average claim at $467 while insurance premium tax had the highest average claim at $21,196.

VC Tax Credits have been claimed at about the same rate with just over half of the tax credits that were awarded being claimed (see Table 9). Because this tax credit is not the focus of this study, no efforts were made to identify tax credit claims made in tax year 2005. Between tax years 2006 and 2013, there were almost 1,250 VC Tax Credit claims made, which totaled almost $1.4 million of the $2.7 million in awards. The average VC Tax Credit claim over all tax years was about $1,100, although the average claim in each tax year varies widely from over $14,700 in 2006 to only $300 in tax year 2012.

Taxpayers do not always have enough tax liability to fully utilize the nonrefundable tax credits in the year that they are eligible to first be taken. On average, over 42 percent of newly awarded, nonrefundable QBSC Tax Credits are used to offset tax liability in the first tax year (see Table 10). The nonrefundable tax credit awards can be carried forward for five additional tax years before they expire. With the exception of investments made in 2006 and 2007, first eligible to be claimed in tax years 2009 and 2010, all QBSC Tax Credits from the initial program have expired. For investments made in 2002 through 2005, 45 percent of QBSC Tax Credits expired, totaling nearly $1.9 million. This is a very high rate of tax credit expiration for Iowa nonrefundable tax credits. As a comparison, the Endow Iowa Tax Credit, a 25 percent nonrefundable tax credit for contributions to endowment funds in Iowa with a five year carryforward, has an average expiration rate of 17.6 percent (Gullickson and Tilkes, 2013).

Because there was such a high rate of the QBSC Tax Credits expiring an attempt was made to determine why so many of the tax credits went unclaimed (see Table 11). The analysis considered whether the assigned tax credit certificate was ever reported on a tax return.[3] The first matter to consider is whether or not a taxpayer filed an Iowa tax return. For this analysis, whether the taxpayer filed a return was determined by whether the taxpayer filed an Iowa tax return in the first year that the tax credit could be claimed.

Of the tax credit certificates never claimed, 363 were issued to taxpayers who did not file a tax return in the first year that the tax credit could be claimed. This suggests that the investors made the qualifying investment even though they did not intend to claim the tax credit because they were not subject to Iowa income tax in the year in which the

[3] For QBSC Tax Credits awarded between 2002 and 2005 that did not have certificate numbers issued to them, certificate numbers for those awards were assigned and added to the claim data.

tax credit could be claimed. It is possible that they expected to claim it, but their tax situation changed in the three years between the investment and the year of claim. These unclaimed certificates accounted for over $700,000 (0.7%) in awarded tax credits. Just over half of the 363 certificates were issued to taxpayers residing outside of Iowa when the tax credit certificate was issued. The 363 tax credit certificates were issued to 251 unique taxpayers, 125 of whom were nonresidents. The amount of unclaimed tax credits issued to taxpayers who never filed returns account for just 5 percent of all certificates awarded to Iowa residents, but nearly 30 percent of the $1.1 million of tax credit certificates awarded to nonresidents.

The other group that was identified was taxpayers who received a tax credit certificate for a qualified investment and did file an Iowa tax return in the first year the tax credit could be claimed (see Table 11). Although they filed a return the taxpayers never claimed the awarded tax credit, suggesting that the taxpayer forgot about the tax credit. This situation applied to nearly 900 of the awarded tax credit certificates, with nearly 90 percent of those certificates issued to residents of Iowa. The unclaimed tax credits issued to taxpayers that filed tax returns but did not claim the tax credit certificate account for over 21 percent of the $8.9 million of QBSC Tax Credit certificates awarded to residents and 39 percent of the $1.1 million of tax credit certificates awarded to nonresidents. These forgotten tax credit awards totaled over $2.3 million and were issued to 704 unique taxpayers.

Overall, there were over 1,250 tax credit certificates totaling $3.0 million, of the $10 million in awards, which taxpayers never attempted to claim. Over 25 percent of tax credit dollars issued to Iowa residents went unclaimed while almost 70 percent of the tax credit dollars issued to nonresidents went unclaimed. Based on this analysis, one question that is reasonable to ask is how to increase the utilization of the tax credit in order to increase the likelihood that the intent of the tax credit is met. Simplifying claiming the tax credits for potential investors should increase the utilization of the tax credits. One step that has already been taken to simplify the tax credit is eliminating the delay before the tax credit for investments in qualifying businesses can be claimed. This reduces the likelihood that taxpayers will forget about the tax credit. Recall that the delay was initially put in place, not for programmatic reasons, but due to budgetary constraints.

Another change that may increase usage of the QBSC Tax Credit would be to make the tax credit transferable like the Iowa Innovation Tax Credit. This would make the tax credit useful to investors who lived outside of Iowa who do not have Iowa income tax liability and thus increases the value of the tax credit to nonresident investors. Transferable tax credits make it easier for businesses to compete for capital that may be invested in other states or areas (Massey, 2014).

Another option that would make the tax credit more valuable to out-of-state investors would be to make the tax credit refundable. In a conversation with the administrator of Minnesota’s tax credit it was stated that 25 percent of Minnesota’s qualifying investments come from nonresidents, compared to 10 percent in Iowa. Making a tax credit refundable is also more economically efficient than making it transferable because the entity receiving the tax credit does not have to sell the tax credit at less than face value in order to benefit from the credit. There are also administrative efficiencies created when a tax credit is made refundable versus transferable because it eliminates the need for IDR to review the request and issue a transferred tax credit certificate.

B. Characteristics of Qualifying Businesses Receiving Investments

Under the QBSC Tax Credit program, over $44 million was invested in 30 qualifying businesses between 2002 and 2007 (see Table 12). During the period when these tax credits were awarded, to be designated as a qualifying business, the business had to be certified by the Iowa Capital Investment Board. The ICIB certified 60 qualifying businesses from 2002 through 2009.[4] Investments in qualifying businesses were slow to get started with an average of only $1.8 million invested in each of the first three years. Investments jumped during the last three years. This increase was a result of the change which allowed businesses with assets of up to $10 million to qualify. Prior to the change the limit had been $3 million. The change allowed biofuel production companies to qualify as qualifying businesses. The following year investments increased to $9.7 million and increased to $19.0 million in 2006. Because the program was nearing its tax credit cap, investments fell in 2007 to $10.8 million.

One business received investments in all six years of the program and another business received investments in five of six years (see Table 12). Half of the businesses received investments in only one year. Ten businesses received more than $1 million in investments under the program while four businesses received less than $100,000.

When looking at the investments by type of business, approximately two-thirds of the investments were made in biofuel production companies (petroleum refining and related industries and chemicals and allied products) (see Table 13). Between 2005 and 2007 almost $30 million invested in biofuel production companies received QBSC Tax Credits. The type of business receiving the second largest amount of incentivized investment was business services which received almost $5.9 million in investments between 2002 and 2007.

Due to the high concentration of investments in the biofuel industry and the high level of unclaimed tax credits, the question arises whether investors in the biofuel industry were more likely to have unclaimed tax credits. On average 4.3 percent of QBSC Tax Credits went unclaimed in each sector (see Table 14). The sectors that included biofuel producers were only slightly above average at 5.6 percent and 6.8 percent. There were three sectors (Wholesale Trade – Durable Goods, Food Stores, and Motion Pictures) that had no unclaimed QBSC Tax Credits. In general, it does not appear that the business sector in which the investment was made played any role in tax credits that went unclaimed.

[4] Although the funding for QBSC Tax Credits was exhausted in 2007, some businesses continued to submit applications to be designated as a qualifying business in the event that additional funds were made available to the QBSC Tax Credit program.

C. Considerations Regarding Community-Based Seed Capital Funds

During the first incarnation of the QBSC Tax Credit, along with the 30 qualifying businesses, a total of nine community-based seed capital funds received investment incentivized by the credit (see Table 1). These funds received just 16 percent of the eligible investments. Discussions with two fund managers suggest that the limited usage of this investment tool is closely related to the restrictions that were placed on these funds at the inception of the program and that continue in place today.

The restriction that was discussed most was the $3 million limitation on capital commitments. That limitation is lifted in some circumstances (see Table 4), but it remains binding in most cases. The fund managers noted several weaknesses as a result of this limit including the inability to attract high-quality management with a 3 percent cap on management fees, the inability to sufficiently diversify the holdings of the fund, disincentives for an existing fund to expand, and the reduced likelihood that the actions of the fund in a community will be large enough to have an impact on the start-up community. EDA reports that participation by these funds in the current program also remains low.

VI. Estimated Impacts of the Venture Capital Tax Credit on Firm Outcomes

An analysis conducted by researchers at Iowa State University matched the qualifying businesses to proprietary firm information available in the National Establishment Time-Series (NETS) database (Dix, 2014). The NETS is a historical database of employment and sales information for the population of business establishments across the country covering 1990 through 2011. The authors were able to match NETS information for 52 businesses that were certified as qualifying businesses; of these only 28 received investments that qualified for tax credits. These businesses were considered “treatment” businesses because they potentially benefited from participation in the program. In addition, the authors identified “control” businesses in the NETS database who did not participate in the QBSC Tax Credit program, but that were in the same industrial sector and started business during the same time period.

The analysis first focused on the impact of the QBSC Tax Credit on firm survival. The analysis found that just over 70 percent of qualified businesses were still in operation as of 2011, with an average firm age of six years. Similar new Iowa firms outside of the QBSC program, the control group, had slightly lower survival rates. On a national level, only about one-third of firms survive six years. When comparing the qualifying businesses that received investments to the qualifying businesses that did not receive investments, there was no difference in firm survival. The analysis concluded that receiving investments incentivized by the QBSC Tax Credit contributed to the survival of approximately three or four firms in Iowa. Unfortunately, the findings of the analysis were not very robust as 28 firms is a very small percentage of the total control group of 1,348 observations.

Because there was very little difference in survival rates between qualifying businesses that received investments and those that were approved to receive investments but did not, both groups of businesses were combined to increase the sample size for the second analysis concerning firm sales and employment outcomes. On average, designated qualifying businesses averaged $4 million more in sales than the control firms in the same sector. The analysis also estimated that qualifying businesses had 1.3 more employees on average than the control firms.

The 28 qualifying businesses that received investments employed almost 200 people, which, based on the analysis, is an estimated 36 more employees than if the businesses had not been included in the QBSC Tax Credit program. Those same firms had sales of over $150 million of which $112 million is associated with being a qualifying business. Again, because the sample size is so small (which makes the uncertainty about the estimates large) the authors cannot rule out that the actual impact of the program on employment and sales is zero. The authors also noted that the period during which the impacts of the tax credit on sales and employment were measured included a national recession. The recession likely suppressed employment growth and sales at all businesses, which would suppress any difference that could be measured between qualifying businesses and the control businesses.

VII. Conclusion

This evaluation study provides an analysis of the Iowa Venture Capital Tax Credit – Qualifying Business or Community-Based Seed Capital. The tax credit was first enacted in 2002 and the initial $10 million in available credits over the program's lifetime were awarded for investments made through 2007. The program was reenacted in 2012 with an annual award cap of $2 million. Other than the award cap and shifting administration from the Iowa Capital Investment Board to the Iowa Economic Development Authority, most of the program rules were unchanged. In 2014, one additional change that was made is the removal of the three year delay before the tax credits awarded for investments in qualifying businesses can be claimed which will likely make the QBSC Tax Credits more appealing to some investors.

Although $10 million in QBSC Tax Credits were awarded for over $53 million invested in qualifying businesses in Iowa over the 2002 through 2007 period, analysis suggests the program had limited impacts on those qualifying businesses. Measurement of the impacts was limited by the relatively small size of the program, benefiting only 30 businesses among hundreds of businesses that were started in Iowa during those years. When the program is reviewed in five years, it is hoped that additional investments and participating businesses will allow for improved measurement of the impact of the tax credit in encouraging growth in start-up businesses in Iowa.

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Iowa’s Venture Capital Tax Credits

Tax Credits Program Evaluation Study

Tables and Figures

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Table 1. Venture Capital Tax Credit - Qualifying Business or Community-Based Seed Capital Fund Awards

	Qualifying Business Investments			
Year in Which Investment Was Made	Number of Qualifying Businesses Receiving Investments	Number of New Firms Receiving Investments	Amount of Investments Received	Tax Credits Issued
2002	6	6	$1,248,150	$249,630
2003	9	3	$1,297,900	$259,580
2004	8	2	$2,596,241	$369,242
2005	14	7	$9,685,944	$1,916,025
2006	17	10	$18,984,330	$3,677,271
2007	6	2	$10,845,662	$1,880,133
Total	60	30	$44,658,227	$8,351,881

	Community-Based Seed Capital Fund Investments			
Year in Which Investment Was Made	Number of Community-Based Seed Capital Funds Receiving Investments	Number of New Funds Receiving Investments	Amount of Investments Received	Tax Credits Issued
2002	2	2	$582,445	$116,489
2003	5	3	$2,281,275	$456,252
2004	6	1	$2,338,061	$467,612
2005	6	2	$1,472,370	$241,302
2006	5	0	$581,668	$116,443
2007	2	1	$1,268,000	$253,600
Total	26	9	$8,523,819	$1,651,697
		Totals	$53,182,045	$10,003,578

Source: Iowa Department of Revenue

Table 2. Venture Capital Tax Credit - Venture Capital Fund Awards

Year in Which Investment Was Made	Number of Venture Capital Funds Receiving Investments	Number of New Funds	Amount of Investments Received	Tax Credits Issued
2002	1	1	$3,340,800	$200,448
2003	1	1	$6,410,000	$384,600
2004	2	1	$3,093,750	$185,625
2005	3	2	$12,740,188	$764,411
2006	5	3	$10,340,073	$620,404
2007	4	3	$1,045,999	$62,760
2008	4	1	$2,472,560	$148,354
2009	5	1	$4,391,750	$263,505
2010	4	2	$1,612,501	$96,750
Total	29	15	$45,447,621	$2,726,857

Source: Iowa Department of Revenue

Table 3. Equity Investment Tax Credits by State, December 31, 2014

State	Tax Credit	Enactment/ Expiration	Amount of Tax Credit	Annual Program Cap	Taxpayer/ Business Cap	Qualifying Tax Types	Required Delay before Claim	Refundable	Carry Forward	Transferable
Arizona	Angel Investment Tax Credit	**Enacted:** July 1, 2006 **Expiration:** June 30, 2016	30% of the qualified investment If the investment is made in a rural or bioscience company, the credit is equal to 35% of the qualified investment.	$20 million between July 1, 2006 and June 30, 2016	Tax credits for an investor are limited to qualified investments equal to or less than $250,000 per calendar year. Businesses are limited to lifetime aggregate qualified investments up to $2 million.	Individual Income Tax	The tax credit is claimed over a three year period with 10% eligible to be claimed each year (for credits equal to 35%, the eligible percentages are 12%, 12%, and 11% in each of the three years). The tax credit cannot be claimed until the tax year following the year in which the investment was made.	No	3 Years	No
Arkansas	Equity Investment Tax Credit	**Enacted:** January 1, 2007 **Expiration:** December 31, 2019	33 1/3% of the qualified investment.	$6.25 million per calendar year	None	Any state income tax that may be imposed on the investor.	The amount of tax credit claimed in a single tax year cannot exceed 50% of the taxpayer's liability.	No	9 Years	Yes, but must be sold within one year of the issuance of the tax credit.
Colorado	Innovation Investment Tax Credit	**Enacted:** January 1, 2010 **Expiration:** December 31, 2010	15% of the qualified investment.	$750,000	$20,000 per investor per qualified business.	Individual Income Tax	No	No	5 Years	No
	Advanced Industry Investment Tax Credit	**Enacted:** July 1, 2014 **Expiration:** December 31, 2017	25% of the qualified investment. If the qualified business is located in a rural area or economically distressed area, the credit is equal to 30% of the qualified investment.	$375,000 for calendar year 2014 $750,000 in subsequent calendar years	$50,000	Individual Income Tax	No	No	5 Years	No

Table 3 (continued). Equity Investment Tax Credits by State, December 31, 2014

State	Tax Credit	Enactment/ Expiration	Amount of Tax Credit	Annual Program Cap	Taxpayer/ Business Cap	Qualifying Tax Types	Required Delay before Claim	Refundable	Carry Forward	Transferable
Connecticut	Angel Investor Tax Credit Program	**Enacted:** July 1, 2010 **Expiration:** June 30, 2019	25% of the qualified investment. If the qualified business is located in a rural area or economically distressed area, the credit is equal to 30% of the qualified investment.	FY 2011 and 2012: $6 million FY 2013 through FY 2019: $3 million	$250,000 lifetime per taxpayer	Individual Income Tax Corporate Income Tax	No	No	5 Years	No
Georgia	Angel Tax Credit	**Enacted:** January 1, 2011 **Expiration:** December 31, 2015	35% of the qualified investment.	$10 million per year	$50,000 per taxpayer	Individual Income Tax	Two year delay	No	3 Years	No
Hawaii	High-Technology Business Investment Tax Credit	**Enacted:** July 1, 1999 **Expiration:** December 31, 2010	10% of the qualified investment for 1999 and 2000. 100% of the qualified investment between 2001 and May 2009.	None	$500,000 per tax year per taxpayer in 1999 and 2000. $2 million per business	Individual Income Tax Corporate Income Tax Franchise Tax (Banks and Other Financial Corps) Fiduciary Income Tax Insurance Premiums Tax	35% of the tax credie can be claimed the year of the investment. 25% can be claimed the year following the investment. 20% can be claimed the 2nd year following the investment. 10% can be claimed the 3rd and 4th years following the investment.	No	5 Years (Initially there was no limit on the carry forward period.)	Between 2000 and 2009 the tax credits were transferrable between shareholders in the company. A taxpayer was not limited to their pro-rata share of tax credits.

Table 3 (continued). Equity Investment Tax Credits by State, December 31, 2014

State	Tax Credit	Enactment/ Expiration	Amount of Tax Credit	Annual Program Cap	Taxpayer/ Business Cap	Qualifying Tax Types	Required Delay before Claim	Refundable	Carry Forward	Transferable
Illinois	Angel Investment Credit Program	**Enacted:** January 1, 2011 **Expiration:** December 31, 2016	25% of the qualified investment.	$10 million per year	Maximum qualifying investment is $2 million per taxpayer per year. $4 million of qualified investments per business.	Individual Income Tax Corporation Income Tax Fiduciary Income Tax	No	No	5 Years	No
Indiana	Venture Capital Investment Tax Credit	**Enacted:** July 1, 1999 **Expiration:** December 31, 2014	20% of the qualified investment.	$12.5 million per year	The lesser of 20% of the qualified investment or $1 million per business.	Any individual or entity that has any state tax liability.	No	No	5 Years	No
Iowa	Venture Capital Tax Credit - Qualifying Business or Community-Based Seed Capital Fund	**Enacted:** January 1, 2002 **Expiration:** Initial program cap reached in FY 2008 **Re-Enactment:** July 1, 2011 **No Expiration Date**	20% of the qualified investment.	Initial lifetime program cap was $10 million. Current program cap is $2 million per fiscal year.	$50,000 per taxpayer per qualifying business $250,000 per taxpayer per year	Individual Income Tax Corporation Income Tax Franchise Tax Insurance Premium Tax Moneys and Credits Tax	For investments made prior to January 1, 2014 there is a three year waiting period between the investment and when the tax credit can be claimed. Effective for investments made after January 1, 2014 in qualifying businesses, the credits can be claimed immediately; however, the credits awarded since fiscal year 2012 can first be claimed in tax years beginning on or after January 1, 2016. Tax credits awarded for investments made in community-based seed capital funds still have a three year waiting period.	No	5 Years	No
	Innovation Fund Tax Credit	**Enacted:** January 1, 2011 **Expiration:** June 30, 2018	25% of qualified investment.	$8 million per fiscal year.	None		There is no delay, but tax credit certificates could not be issued until September 1, 2014.	No	5 Years	Yes

Table 3 (continued). Equity Investment Tax Credits by State, December 31, 2014

State	Tax Credit	Enactment/ Expiration	Amount of Tax Credit	Annual Program Cap	Taxpayer/ Business Cap	Qualifying Tax Types	Required Delay before Claim	Refundable	Carry Forward	Transferable
Iowa (continued)	Venture Capital Tax Credit - Iowa Fund of Funds	**Enacted:** January 1, 2002 **Expiration:** December 31, 2027	Contingent on the rate of return.	Overall lifetime program cap is $60 million, reduced from $100 million on April 15, 2010.	None	Individual Income Tax Corporation Income Tax Franchise Tax Insurance Premium Tax Moneys and Credits Tax	No	No	7 Years	Yes
	Venture Capital Tax Credit - Venture Capital Funds	**Enacted:** January 1, 2002 **Repealed:** July 1, 2010	6% of the qualified investment.	Lifetime program cap of $5 million	None		There is a three year waiting period between the investment and when the tax credit can be claimed.	No	5 Years	No
Kansas	Angel Investor Tax Credit	**Enacted:** January 1, 2005 **Repealed:** December 31, 2016	50% of the qualified investment.	TY 2007 - $4 million TY 2008, 2009, 2010 - $6 million TY 2011 - $5 million TY 2012 and thereafter- $6 million	$50,000 per qualified business per year $250,000 per taxpayer per year	Individual Income Tax	No	No	Unlimited	No
Kentucky	Investment Fund Tax Credit	**Enacted:** 1998 **Repealed:** December 31, 2016	50% of the qualified investment in counties with high employment rates. In all other counties the tax credit is 40% of the qualified investment.	$40 million lifetime cap $3 million per calendar year	$200,000 in aggregate per calendar year.	Individual Income Tax Corporate Income Tax Bank Franchise Tax Insurance Premiums Tax	A taxpayer may first claim its credit in the year following the year in which the credit is granted. The taxpayer is limited to claiming 50% of the issued tax credit in a tax year.	No	15 Years	Yes

Table 3 (continued). Equity Investment Tax Credits by State, December 31, 2014

State	Tax Credit	Enactment/ Expiration	Amount of Tax Credit	Annual Program Cap	Taxpayer/ Business Cap	Qualifying Tax Types	Required Delay before Claim	Refundable	Carry Forward	Transferable
Louisiana	Angel Investor Tax Credit Program Act of 2005	**Enacted:** January 1, 2005 **Repealed:** July 7, 2011	50% of the qualified investment, unless total investments exceed $10 million then tax credits will be prorated.	$5 million per year	$2 million per calendar year per business.	Individual Income Tax Corporation Franchise Tax Fiduciary Income Tax	No	No	Unknown	Unknown
	Angel Investor Tax Credit Program Act of 2011	**Enacted:** July 8, 2011 **Expiration:** July 1, 2015	35% of the qualified investment	$5 million per year	$1 million per business per year and $2 million per business over the life of the program.		No	No	10 Years	Yes
Maine	Seed Capital Tax Credit Program	**Enacted:** July 1, 1989 **Expiration:** December 31, 2016	50% of the qualified investment	Through 2013 lifetime cap of $30 million CY 2014 - $675,000 CY 2015 - $4 million CY 2016 - $5 million	$500,000 per business.	Individual Income Tax Corporate Income Tax Franchise Tax	25% of the credit can be taken in the tax year in which the investment is made and 25% can be taken in each of the next 3 tax years. The taxpayer is limited to offsetting up to 50% of tax liability with the tax credit.	Yes, for private venture capital funds.	15 Years	No
Maryland	Biotechnology Investment Incentive Tax Credit	**Enacted:** July 1, 2006 **Expiration:** December 31, 2016	50% of the qualified investment	Prior to FY 2015 the cap was $2 million Effective in FY 2015 the cap was increased to $12 million	Investments from $25,000 to $500,000 per individual investor. There is a limit of 15% of the annual tax credit cap per business ($1.8 million in FY 2015).	Individual Income Tax Corporate Income Tax	No	Yes	No	No

Table 3 (continued). Equity Investment Tax Credits by State, December 31, 2014

State	Tax Credit	Enactment/ Expiration	Amount of Tax Credit	Annual Program Cap	Taxpayer/ Business Cap	Qualifying Tax Types	Required Delay before Claim	Refundable	Carry Forward	Transferable
Michigan	Small Business Tax Credit	**Enacted:** December 31,2010 **Expiration:** December 31, 2011	25% of the qualified investment	$9 million per calendar year	Maximum tax credit of $250,000 in any one year and may not invest more than $1 million in any one business.	Individual Income Tax Corporate Income Tax	No	No	5 Years	No
Minnesota	Small Business Investment Tax Credit (Angel Tax Credit)	**Enacted:** April 1, 2010 **Expiration:** December 31, 2016	25% of the qualified investment	2010 - $11 million 2011 & 2012 - $12 million 2013 - $11.9 million 2014 - $12 million Any tax credits not issued in a given year can be rolled into the awards available in the following year.	Maximum tax credit is $125,000 per taxpayer per year ($250,000, if filing jointly).	Individual Income Tax	No	Yes	No	No
Nebraska	Angel Investment Tax Credit	**Enacted:** August 10, 2011 **Expiration:** December 31, 2016	35% in non-distressed areas/ 40% in distressed areas	$3 million per year	Maximum tax credits of $350,000 for couples filing joint return and $300,000 for single filers. $1 million per business per year.	Individual Income Tax	No	Yes	No	No

Table 3 (continued). Equity Investment Tax Credits by State, December 31, 2014

State	Tax Credit	Enactment/ Expiration	Amount of Tax Credit	Annual Program Cap	Taxpayer/ Business Cap	Qualifying Tax Types	Required Delay before Claim	Refundable	Carry Forward	Transferable
New Jersey	Angel Investor Tax Credit	**Enacted:** January 1, 2012 **Expiration:** December 31, 2016	10% of the qualified investment	$25 million per calendar year	Maximum credit of $500,000 for each qualified investment.	Individual Income Tax Corporation Business Tax	No	Yes	Credits claimed against Corporation Business Tax can be carried forward 15 years if not refunded.	No
New Mexico	Angel Investment Tax Credit	**Enacted:** January 1, 2007 **Expiration:** December 31, 2016	25% of the qualified investment of not more than $100,000	$750,000 per calendar year	$50,000 per taxpayer per tax year (limited to two qualified investments in a tax year).	Personal Income Tax	No	No	3 Years	No
North Carolina	Qualified Business Investment Tax Credit	**Enacted:** January 1, 2008 **Expiration:** January 1, 2014	25% of the qualified investment	$7.5 million	$50,000 per taxpayer in a calendar year.	Individual Income Tax	The tax credit can first be applied to tax liability in the year following the year of investment.	No	5 Years	No
North Dakota	Seed Capital Investment Tax Credit	**Enacted:** January 1, 2002 **No Expiration**	45% of the qualified investment (30% in 2002)	2002-2004 - Cumulative cap of $2.5 million 2005-2006 - $2.5 million per calendar year 2007 & later - $3.5 million per calendar year	$45,000 of credit per year. For investments made after January 1, 2013 a taxpayer is limited to lifetime claims of $500,000, a married couple is considered one taxpayer.	Individual Income Tax Corporate Income Tax	No	No	Prior to 2011 - 4 Years 2011 and later - 7 Years	Only for investments made in 2011 and 2012.

Table 3 (continued). Equity Investment Tax Credits by State, December 31, 2014

State	Tax Credit	Enactment/ Expiration	Amount of Tax Credit	Annual Program Cap	Taxpayer/ Business Cap	Qualifying Tax Types	Required Delay before Claim	Refundable	Carry Forward	Transferable
Ohio	Technology Investment Tax Credit	**Enacted:** November 18, 1996 **Repealed:** September 29,2013	25% of the qualified investment. 30% of the qualified investment if the investment is being made in an "Encouraging Diversity Growth and Equity (EDGE)-qualified entity, or an entity in a distressed county.	$45 million lifetime cap	A business is limited to $1.5 million of qualifying invesments. A taxpayer is limited to $250,000 per entity for investments that qualify for 25% tax credit or $300,000 per entity for investments that qualify for 30% tax credit.	Personal Income Tax Corporation Franchise Tax Public Utility Excise Tax Dealers In Intangibles Tax	No	No	15 Years	No
Oklahoma	Small Business Capital Formation Tax Credit	**Enacted:** January 1, 2001 **Expiration:** December 31, 2011 **Moratorium:** June 1, 2010 through December 31, 2011	20% of the qualified investment.	None	None	Corporate Income Tax Individual Income Tax Privilege Tax Insurance Premium Tax	No	No	3 Years	No
	Rural Venture Capital Formation Tax Credit	**Enacted:** January 1, 2001 **Expiration:** December 31, 2011 **Moratorium:** June 1, 2010 through December 31, 2011	30% of the qualified investment.	None	None		No	No	3 Years	No

Table 3 (continued). Equity Investment Tax Credits by State, December 31, 2014

State	Tax Credit	Enactment/ Expiration	Amount of Tax Credit	Annual Program Cap	Taxpayer/ Business Cap	Qualifying Tax Types	Required Delay before Claim	Refundable	Carry Forward	Transferable
Rhode Island	Rhode Island Innovation Tax Credit	**Enacted:** January 1, 2007 **Expiration:** December 31, 2016	50% of the qualified investment.	No more than $1.0 million in any 2 year calendar period.	Maximum tax credit of $100,000.	Cannot be claimed against Individual Income Tax	No	No	3 Years	No
South Carolina	High Growth Small Business Job Creation Act	**Enacted:** June 14, 2013 (but investments made since January 1, 2013 qualify for the tax credit)	35% of the qualified investment.	$5 million per year	Aggregate tax credits allocated to a taxpayer cannot exceed $100,000 per year.	Individual Income Tax	50% of tax credit can be claimed in the tax year during which the qualified investment is made. The remainder can be claimed in the following year.	No	10 Years	Yes
Utah	Capital Investment (formerly Fund of Funds)	**Enacted:** January 2006 **Expiration:** December 31, 2019	Contingent on the rate of return.	Program cap of $300 million	None	Unavailable	No	Yes	No	Yes
Vermont	Seed Capital Fund Tax Credit	**Enacted:** January 1, 2014 **Expiration:** December 31, 2019	20% of the qualified investment	Lifetime cap of $286,000	None	Individual Income Tax Corporate Income Tax Bank Franchise Tax Insurance Premiums Tax	Tax credit must be claimed equally over 5 years and can only reduce tax liability by 50% in any year.	No	4 Years	No
Virginia	Qualified Equity and Subordinated Debt Investments Credit	**Enacted:** January 1, 2009 **Expiration:** December 31, 2019	50% of the qualified investment.	$5 million per calendar year	Maximum tax credit of $50,000 per taxpayer per year.	Individual Income Tax Fiduciary Tax	No	No	15 Years	No

Table 3 (continued). Equity Investment Tax Credits by State, December 31, 2014

State	Tax Credit	Enactment/ Expiration	Amount of Tax Credit	Annual Program Cap	Taxpayer/ Business Cap	Qualifying Tax Types	Required Delay before Claim	Refundable	Carry Forward	Transferable
Wisconsin	Angel Investor Tax Credit	**Enacted:** July 1, 2004 **Expiration:** December 31, 2019	25% of the qualified investment.	Prior to 2010 the annual cap was $5.5 million. The current annual cap is $20.25 million.	Businesses can receive up to a total of $8 million in tax credit-eligible cash equity investment. It does not matter which tax credit program the investor uses as long as the total qualifying investments do not exceed $8 million.	Individual Income Tax	No	No	15 Years	No
	Early Stage Seed Investment Tax Credit	**Enacted:** July 1, 2004 **Expiration:** December 31, 2019	25% of the qualified investment.	$20.75 million		Individual Income Tax Corporate Income Tax Fiduciary Tax	Typically, two 12.5% tax credits are claimed over two years.	No	15 Years	Yes

Source: Various state websites

Table 4. Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
Arizona	Angel Investment Tax Credit	An individual, LLC, S-Corporation, partnership or a family or grantor trust. C-Corporations cannot be a qualified investor. Does not possess more than 30% of the total voting power of all equity securities of the qualified small business immediately before making an investment.	Must be an equity security. Minimum investment of $25,000 cash or cash equivalent. Cannot be made with funds in an IRA or similar retirement account.	Must be a corporation, LLC, partnership or other business entity, other than a sole proprietorship. Must maintain a portion of its operations in AZ. Has at least two principal non-administrative full-time equivalent employees who are AZ residents. Is in the early stage of development and is not principally engaged in activities precluded by the AZ Commerce Authority or statutorily provided in A.R.S. §41-1515(K)(6). Does not engage in activities that involve human cloning or embryonic stem cell research. Does not have assets exceeding $10 million (companies certified on or before 12/31/11 are limited to $2 million), exclusive of intellectual property and qualified investments. Has not received aggregated qualified investments in excess of $2 million by all qualified investors in all years.	Application for tax credit must be submitted within 30 days of making a qualified investment. For tax years starting on or after December 31, 2013, AZ will also offer the elimination of capital gains tax on income derived from investments in companies certified by the AZ Commerce Authority.
Arkansas	Equity Investment Tax Credit	None	Investment must be cash and be made in calendar years 2007 through 2019.	Must be a targeted business. OR An early-stage/start-up business who pays at least 150% of the lesser of the county average wage or the state average wage and meets at least 2 of the following conditions: 1) The business is in one of the business sectors set forth in §15-4-2703(43)(A)(i)-(vi). 2)The business is identified in a local or regional economic development plan as the type of business targeted for recruitment or growth within the community or region. 3) The business is supported by a resolution of the city council or quorum court in the municipality or county in which the business is located or plans to locate. 4) The business is supported by business incubators certified under § 26-51-815(d). 5) The business is supported by federal small business innovation research grants. 6) The business is supported by technology development or seed capital investments made by instrumentalities of the state.	

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
Colorado	Innovation Investment Tax Credit	Individual, LLC, partnership, or S corporation. The investor may have no more than 30% of the total voting power of all equity securities of the business immediately preceeding the investment.	Must be an equity security of at least $25,000.	Small business involved primarily in research and development or manufacturing of new technologies, products, or processes.	
	Advanced Industry Investment Tax Credit	Individual, LLC, partnership, S corporation, or other business entity other than a C corporation. The investor must have a 30% or smaller voting interest in the qualified small business immediately prior to the investment. The investor must not have more than a 50% voting interest immediately after the investment.	The investment must be at least $10,000. The investment must be in an equity instrument that is convertible into an equity security. The investment must be made on or after July 1, 2014 and before January 1, 2018.	Start-up companies engaged in advanced manufacturing, aerospace, bioscience, electronics, energy/natural resources and clean technology, infrastructure engineering, and technology and information. Headquarters in CO or at least 50% of its employees based in CO. Receive less than $10 million from 3rd party investors, not including grants, since formation. Annual revenues of less than $5 million. Actively operating and generating revenue for less than 5 years.	Investors have up to 90 days from the date of investment to apply for the tax credit.
Connecticut	Angel Investor Tax Credit Program	Must be an accredited investor. Individuals who control 50% or more of the the qualified business receiving the investment are also not eligible to participate.	Minimum cash investment of $25,000	Businesses engaged in bioscience, advanced materials, photonics, clean technology, or information technology. Gross revenues under $1 million. Fewer than 25 employees, 75% must be CT residents. Operations in CT for less than 7 consecutive years. Received less than $2 million in eligible investments from angel investors.	

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
Georgia	Angel Tax Credit	An accredited investor who is either: An individual who is a resident of GA or a nonresident with GA state income tax liability. OR A pass-through entity with less than $5 million under management that is formed for investment purposes only.	An equity investment of cash OR The provision of cash for unsecured subordinated debt.	A business primarily engaged in technology or manufacturing. Headquartered in GA. Employs 20 or fewer people. Organized no more than three years prior to the date the investment was made. Has annual gross revenues of no more than $500,000. Has not yet raised an aggregate of $1 million of financing.	The tax credits are subject to recapture in certain situations.
Hawaii	High-Technology Business Investment Tax Credit	None	None	A qualified high technology business that employs or owns capital or property in HI, or maintains an office in HI, and meets either the activity test or the gross income test. Activity Test - more than 50% of the business's total business activities must be qualified research and more then 75% of the qualified research must be conducted in HI. Gross Income Test - More than 75% of the business's gross income must be derived from qualified research and the income from this qualified research must be received from either: products sold from, manufactured or produced in HI OR services performed in HI.	Effective May 1, 2009 the tax credit could only be used for 80% of the taxpayer's tax liability. The carry forward provision was also eliminated.

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
Illinois	Angel Investment Credit Program	None	Investment must be invested into a registered qualified new business venture. Investment must remain in the qualified new business venture for at least 3 years.	A qualifying business must satisfy all of the following requirements: Principally engaged in innovation. Has fewer than 100 employees upon submitting initial application. At least 51% of employees located in IL. Headquarters located in IL. Been in operation in IL for no more than 10 consecutive years prior to certification. Has the potential to create jobs or capital investments, or both. Has not received more than $10 million in aggregate private equity investments. Be registered with the Illinois Secretary of State's Office to transact business in IL.	
Indiana	Venture Capital Investment Tax Credit	An investor may be an individual or an entity. Investors who hold a majority ownership position, or as a result of the investment will hold a majority ownership position, are not eligible for the credit.	Debt or equity capital that is provided to a Qualified Indiana Business. However, debt that is provided by a financial institution or is secured by a valid mortgage or security agreement is excluded from qualifying for tax credits.	An IN-headquartered business primarily focused on commercialization of research and development, technology transfers, or the application of new technology. Real estate-related businesses and certain professional service businesses (e.g., accounting firms and law firms) are ineligible.	Application for tax credit must be completed prior to the investment being made in order to qualify for the tax credit. Application to be designated as a qualified IN business must be approved before tax credit applications can be approved.

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
Iowa	Venture Capital Tax Credit - Qualifying Business or Community-Based Seed Capital Fund	An investor cannot invest in more than 5 businesses. An investor cannot be someone that holds at least a 70 percent ownership interest as an owner, member, or shareholder in a qualifying business.	None	**Qualifying Business:** Principal operations must be located in IA. Been in operation for 6 years or less with a net worth of $5 million or less. Must have an owner who has qualifying business experience. Cannot be engaged primarily in retail sales, real estate, health care services, or other services requiring a professional license. Must secure total equity or near equity financing equal to at least $250,000 within 24 months. **Community-Based Seed Capital Fund:** Must be organized as a limited partnership or LLC. Has total capital commitments from both investors and investments in Qualifying Businesses of at least $125,000, but not more than $3 million. However, if the fund is a rural business investment company or an Iowa-based seed capital fund with at least 40% of its committed capital subscribed by community-based seed capital funds, the fund may have more than $3 million. Has at least five investors that are not affiliates, with no single investor or affiliate of that investor owning a total of more that 25% percent of the ownership interests outstanding in the fund.	Qualifying businesses must be certified by the Economic Development Authority before receiving qualified investments.
	Venture Capital Tax Credit - Iowa Fund of Funds	None		Not Applicable	

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
Iowa (continued)	Venture Capital Tax Credit - Venture Capital Funds	None	None	**The Venture Capital Fund :** Must be a private seed and venture capital partnership or entity fund. Must maintain a physical presence with the state of IA. Must make a commitment to consider equity investments in businesses located in the state of IA.	
	Innovation Fund Tax Credit	An investor cannot be someone that holds at least a 70 percent ownership interest as an owner, member, or shareholder in a qualifying business. An investor cannot receive an Innovation Fund Tax Credit if they received a Qualifying Business and Community-Based Seed Capital Fund Tax Credit.		**Innovation Fund:** The fund is organized for the purposes of making investments in promising early-stage companies which have a principal place of business in IA. The fund proposes to make investments in innovative businesses. The fund seeks to secure private funding sources for investment in such businesses. The fund proposes to provide multiple rounds of funding and early-stage private sector funding to innovative businesses with a high growth potential, and proposes to focus such funding on innovative businesses that show a potential to produce commercially viable products or services within a reasonable period of time. The fund proposes to evaluate all prospective innovative businesses using a rigorous approach and proposes to collaborate and coordinate with the authority and other state and local entities in an effort to achieve policy consistency. The fund proposes to collaborate with the regents institutions of this state and to leverage relationships with such institutions in order to potentially commercialize research developed at those institutions. The fund proposes to obtain at least $15 million in binding investment commitments and to invest a minimum of $15 million in companies that have a principal place of business in the state.	Funds must be certified by the Economic Development Authority before receiving qualified investments.

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
Kansas	Angel Investor Tax Credit	An accredited investor	None	KS businesses engaged in the development, implementation, and commercialization of innovative technologies, products, and services.	
Kentucky	Investment Fund Tax Credit	Is an individual, natural person. Is an accredited investor according to Regulation D of the U.S. Securities and Exchange Commission in effect as of the date of the requested certification. Holds no more than 20% ownership in and is not employed by the Qualified Small Business prior to making a Qualified Investment in that business. Is not the parent, spouse or child of an individual holding in excess of twenty percent (20%) ownership interest in, or who is employed by, the Qualified Small Business prior to making the Qualified Investment. Is seeking a financial return from the Qualified Investment. Has filed an application with and received KEDFA certification as a Qualified Investor in the program.	Is a minimum cash investment of $10,000 made by a Qualified Investor in a Qualified Small Business. Is offered and executed in compliance with applicable state and federal securities laws and regulations. Is exchanged for consideration in the form of equity interest in the Qualified Small Business. Has been approved by KEDFA as a Qualified Investment prior to investment.	Is a legal entity registered and in good standing with the Kentucky Secretary of State (if Secretary of State registration is required for legal form of business) and possessing all licenses and other registrations required to legally operate a business in the Commonwealth. Is actively and principally engaged in a Qualified Activity within the Commonwealth, or will be actively and principally engaged in a Qualified Activity within the Commonwealth after the receipt of a Qualified Investment by a Qualified Investor. Has no more than 100 full-time employees. Has more than 50% of its assets, operations, and employees located within the Commonwealth. Meets one of the following conditions: Has a net worth of $10 million or less OR Has had a net income after federal income taxes for each of the 2 preceding fiscal years of $3 million or less. Has at no time received investments eligible for more than $1 million in aggregate angel investor tax credits. Has filed an application with and received KEDFA certification as a Qualified Small Business in the program.	A non-refundable certification fee of $25 is due upon submission of the Qualified Investor or Qualified Small Business certification form. A non-refundable application fee of $250 is required upon submission of the Qualified Investment application.

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
Louisiana	Angel Investor Tax Credit Program Act of 2005	A natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds $1 million at the time of purchase. A natural person with income exceeding $200,000 in each of the two most recent years or joint income with a spouse exceeding $300,000 for those years and a reasonable expectation of the same income level in the current year. An angel pool, all of whose participants shall be accredited investors.	None	The principal business operations are located in LA, including LA as the primary place of employment. Must provide a plan or progression through which more than 50% of its sales will be from outside of LA. The business must prove that it intends to operate as an employer as defined by LA Code. The business cannot be primarily engaged in retail sales, real estate, professional services, gaming or gambling, natural resource extraction or exploration, or financial services including venture capital funds.	
	Angel Investor Tax Credit Program Act of 2011	An accredited investor	None	The principal business operations are located in LA, including LA as the primary place of employment. Must provide a plan or progression through which more than 50% of its sales will be from outside of LA. Employs 50 or fewer full-time employees. The business has either gross annual sales of less than $10 million or a business net worth of less than $2 million. The business cannot be primarily engaged in retail sales, real estate, professional services, gaming or gambling, natural resource extraction or exploration, or financial services including venture capital funds. Businesses primarily engaged in state or local government enterprises, business associations and professional organizations as defined in North American Industry Classification System (NAICS) code 8139, automotive rental and leasing, local solid waste disposal, local sewage systems and local water systems businesses, hospitals or nonprofit organizations if LA Economic Development determines from the submitted business plan that the company is a wealth-creating business for LA.	Businesses were required to be recertified effective July 8, 2011. All annual and program caps for individual businesses also started over. The tax credits are issued on a first-come, first-served basis. However, on the day that the cap is reached, all applications received that day will be treated as received at the same time and the credits remaining for allocation that day will be prorated.

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
Maine	Seed Capital Tax Credit Program	Investor must own less than 50% of the business. Principal owners and their immediate relatives are not eligible.	Aggregate investment limit per business is $5 million. Investments must be at risk for five years.	The business must be located in ME. Annual gross sales of less than $5 million. Business must either: 1) be a manufacturer, 2) provide goods or services with 60% of sales derived from outside the state or to out-of-state residents, 3) develop or apply advanced technologies, 4) be a value added natural resource enterprise, 5) be certified as a visual media production company. Operating the business must be the professional, full-time activity of at least one of the principal owners.	There are special rules for private venture capital funds. Maine collects fees for tax credit applications. The fee for businesses (one-time) and venture capital funds is $500. The fee is $250 per individual investor, per investment.
Maryland	Biotechnology Investment Incentive Tax Credit	A qualified investor is an individual or any entity who invests at least $25,000 and is required to file an income tax return in any jurisdiction. The investor cannot own or control more than 25% of the biotechnology company, after the investment.	A qualifying investment must be at least $25,000, but no larger than $500,000.	The business must be headquartered and have its base of operations in MD. Have fewer than 50 full-time employees. Have been in active business for no longer than 10 years (up to 12 years if in the process of regulatory approval). Not have any securities publicly traded on any exchange. Must be certified as a biotechnology company by the Maryland Department of Business and Economic Development.	At least 30 days before making an investment, the business must submit an initial credit certificate application to DBED.

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
Michigan	Small Business Tax Credit	Must invest alongside or through a venture capital or angel group that is registered with the Michigan Strategic Fund (MSF). Must be an individual taxpayer or an incorporated entity subject to MI income tax laws. Must not be related to the owner(s) or employee(s) of the Qualified Business. Must not have pre-existing fiduciary relationship with the Qualified Business. Must not have been convicted of a felony involving a fiduciary obligation or the conversion or misappropriation of funds or insurance accounts, theft, deceit, fraud, misrepresentation, or corruption. Must not have unpaid, or entered into an installment agreement regarding a final assessment of an unpaid liability for a Michigan state tax for which all rights of appeal have been exhausted. Must not currently be in a bankruptcy proceeding.	Must be at least a $20,000 investment in a Qualified Business. Investment must be syndicated with or pass through a Qualified Invesment Group. Can be an equity or debt investment that meets other Qualified Investment eligibility criteria. Must maintain investment in Qualified Business for at least three years unless legitimate exit opportunity occurs. Qualified Investor must submit an annual report to the MSF on the growth of the Qualified Business.	Is a seed or early stage business as defined by the Michigan Early Stage Venture Investment. Qualified Businesses may not receive more than $1 million of Qualified Investments. Must be domiciled and headquartered in MI. Has a majority of its employees working in MI. Has a pre-investment valuation of less than $10 million. Has fewer than 100 FTEs. Must be an innovative small business with potential for high growth. Has been in existence less than five years, or 10 years if business activity is derived from research at an institution of higher education in MI. No retail establishments, construction, transportation, hotel, motel, restaurant, or real estate business. Not a recipient of the tax credits from MEGA and/or the MI Film Office. May not be engaged in life sciences technology unless those activities are included in the definition of life sciences as that term is defined in the MSF Act.	

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
Minnesota	Small Business Investment Tax Credit (Angel Tax Credit)	Must be a natural person. Must be an accredited investor or a non-accredited investor investing in exempt filings. Cannot receive more than 50% of annual gross income from the business.	Minimum qualifying investment of $10,000. Business cannot have generated more than $4 million in investments as the credit is limited to $1 million per business.	Must be headquartered in MN. Have a minimum of 51% of employees and 51% of payroll in MN. Have fewer than 25 employees. Pay employees annual wages of at least 175 percent of poverty level, which for 2014 is $41,738 per year or $20.07 per hour. This does not apply to the business' executives, officers, board members, or 20%+ owners. Pay interns 175% of federal minimum wage ($12.69 per hour). The business must not have been in operation for more than 10 years (20 years if related to medical devices or pharmaceutical requiring FDA approval). Not have been disqualified from investment under the Small Corporation Offering Registration disqualifications. Not have issued securities that are traded on public exchanges, or begin being trading (or have a liquidation event) within 180 days after a qualified investment. Not previously have received private equity investments of more than $4 million.	There is a non-refundable certification filing fee of $350.
Nebraska	Angel Investment Tax Credit	Individual investors must make a minimum investment of $25,000 per year. Investment funds must make a minimum investment of $50,000 per year.	Minimum investment of $25,000 per year.	Must be Nebraska-based with more than 51% of employees in NE. Shall have 25 or fewer employees at the time of investment. Maximum amount of tax credits allocated for investments in any one business limited to $1 million.	

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
New Jersey	Angel Investor Tax Credit	An individual or entity that is a related person of a New Jersey Emerging Technology Business cannot receive a tax credit under this program for any investment in that technology business. The investor does not need to be a NJ resident, but does need to file a NJ tax return in order claim the tax credit.	Qualified investments include non-refundable transfers of cash made directly to the emerging technology business. To be considered non-refundable, these items must be held or not expire for at least 2 calendar years from the date of the transfer of cash, with an exception being made for initial public offerings (IPOs), mergers and acquisitions, damage awards for the business's default of an agreement, or other return of initial cash outlay beyond the investor's control.	Employs fewer than 225 employees, at least 75% of whom work in NJ. Does business, employs or owns capital or property, or maintains an office in NJ. Conducts at least one of the following activities in New Jersey: Incurs qualified research expenses in the State; conducts pilot scale manufacturing in the State; Commercializes one or more of the following eligible technologies in the State: Advanced Computing, Advanced Materials, Biotechnology, Electronic Devices, Information Technology, Life Sciences, Medical Devices, Mobile Communications, and Renewable Energy Technology. Has as its primary business an eligible technology (as listed above.)	There is a non-refundable application fee of $500 for investment amounts of $50,000 or less and $1,000 for investment amounts over $50,000. There is also a 5% approval fee for investments over $50,000 not to exceed $2,500. The application fee is credited toward the approval fee.
New Mexico	Angel Investment Tax Credit	An accredited investor who files a NM income tax return.	None	A NM company that is engaging in high-technology research or manufacturing.	

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
North Carolina	Qualified Business Investment Tax Credit	Must file an application for the tax credit.	An individual investor is limited to $200,000 in qualified investments per year.	**Qualified Business Venture** - Organized to engage primarily in manufacturing, processing, warehousing, wholesaling, research and development, or a service-related industry. However, it cannot engage to any substantial degree in providing professional services, contracting or construction, selling or leasing at retail, investing, entertainment or recreation. The business must have been organized in the same year as the year in which it applies for registration or it must not have generated more than $5 million in gross revenues during its last fiscal year. **Qualified Grantee Business** - Must have received a grant or other funding from a federal agency under the Small Business Innovation Research Program administered by the United States Small Business Administration or from a granting entity during the three years prior to registration. **Qualified Licensee Business** - Has been certified by a constituent institution of The University of North Carolina or a research university as currently performing under a licensing agreement with the institution or university for the purpose of commercializing technology developed at the institution or university.	

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
North Dakota	Seed Capital Investment Tax Credit	Individual, estate, trust, partnership, corporation, or LLC that invests in a certified business.	A direct cash payment or a direct transfer of cash from a retirement plan for which the investor controls where the plan's assets are invested.	A "qualified business" is a business that the North Dakota Commerce Department's Division of Economic Development and Finance certifies as meeting all of the following conditions: It is a for-profit corporation, passthrough entity (S corporation, partnership, etc.), limited liability company, joint venture, or a satellite operation that is a for-profit corporation. It is a primary sector business that generates "new wealth," which generally means sales to customers outside North Dakota, or to customers in North Dakota if availability of the product is limited. It is in compliance with North Dakota's securities laws. It hires North Dakota residents to fill the majority of its employment positions in North Dakota. It has its principal office and conducts the majority of its business (except sales activity) in North Dakota, or has a significant operation in North Dakota that has (or projects to have) more than 10 employees or $150,000 of annual sales. It relies on innovation, research, or the development of new products and processes in its plans for growth and profitability. It is not an agricultural commodity processing facility or a real estate investment trust.	

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
Ohio	Technology Investment Tax Credit	The applying investor must not be delinquent in any state or local taxes. The investor may not be an employee with proprietary decision-making authority of the entity in which the investment of money is proposed. The spouses, parents, children and siblings of such employees are “related” and are ineligible for the credit. The investor may not own, control, or hold power to vote greater than 5% of the ownership of the entity.	The investment must take the form of the purchase of newly-issued common or preferred stock, a membership interest, partnership interest, or any other ownership interest. The equity position must be directly purchased from the entity. No repayment of principal invested may be made for at least three years from the date the investment is made. The annual combined amount of any dividends and interest payments to be made to the investor may not exceed ten percent of the amount of the investment for each of the three years from the date the investment is made.	The entity's principal place of business must be located within OH, it must have at least 50% of its gross assets located within the state, and 50% of its employees located within the state. If the entity is a member of an affiliated group, the gross assets and the number of employees of all members of the group, wherever those assets and employees are located, shall be included for the purpose of determining the percentage of the entity's gross assets and employees that are located in OH. The entity must have a valid business license in OH or be organized in OH. To be considered a qualified trade or business, the entity must be involved primarily in research and development, technology transfer, biotechnology, information technology, the application of new technology developed through research and development or acquired through technology transfer.	

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
Oklahoma	Small Business Capital Formation Incentive Act	Unavailable	Unavailable	Within 180 days of the qualified investment, at least 50 percent of the company's employees or assets are located in OK. Needs financial assistance in order to commence or expand business. Is engaged in a lawful business activity under any Industry Number appearing under any Major Group Number of Divisions A, C, D, E, F or I of the Standard Industrial Classification Manual, 1987 revision with the following exceptions: (1) Major Group 1 of Division A, and (2) Major Group 2 of Division A. Qualifies as a small business as defined by the federal Small Business Administration. Within 18 months after the date of the qualified investment, at least 50% of the proceeds of the qualified investment must be expended for the acquisition of tangible or intangible assets which are used in the active conduct of the trade or business or to provide working capital for the active conduct of the trade or business.	
	Rural Venture Capital Formation Tax Credit			Same as above, but principal place of business must be within a nonmetropolitan area of OK and conducts the activity resulting in at least 75% of its gross annual revenue from a nonmetropolitan area of the state.	
Rhode Island	Rhode Island Innovation Tax Credit	Unavailable	Unavailable	Any RI business entity that has provided satisfactory evidence that the entity has in the prior 2 calendar years had annual gross revenues of less than $1 million. Must be an "Innovation Industry."	

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
South Carolina	High Growth Small Business Job Creation Act	An accredited investor who is either: An individual who is a resident of SC or a nonresident subject to the SC Income Tax Act OR A pass-through entity that is formed for investment purposes, has no business operations, does not have committed capital under management exceeding $5 million, and is not capitalized with funds raised or pooled through private placement memoranda directed to institutional investors.	A cash investment in a qualified business for common or preferred stock or an equity interest OR A purchase for cash of subordinated debt in a qualified business.	A business that has registered with the Secretary of State and that meets all of the following requirements: The business must be a corporation, limited liability company, general partnership, or limited partnership located and headquartered in the state of SC. The business must have been organized for no more than five years before the qualified investment was made. The business must have 25 or fewer employees. The business must have had a gross income of $2 million or less in any complete fiscal year before registering as a qualified business. The business must be primarily engaged in one of the following activities: manufacturing, processing, warehousing, wholesaling, software development, information technology services, research and development, ambulatory health care services, hospitals, nursing and residential care facilities. The business must not substantially engage in any of the following activities: retail sales, real estate or construction, professional services, gambling, natural resource extraction, financial brokerage, investment activities, or insurance, entertainment, amusement, recreation, or athletic or fitness activity for which an admission or fee is charged.	Once approved by the Secretary of State's Office, the qualified business is registered for a period of 12 months. A qualified business may renew its registration as long as it continues to meet the statutory requirements for a qualified business.

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
Utah	Capital Investment (formerly Fund of Funds)	An accredited investor	None	Not Applicable	
Vermont	Seed Capital Fund Tax Credit	None	Investments made by business founders or family do not qualify for the tax credit.	Annual gross sales of less than $3.0 million.	
Virginia	Qualified Equity and Subordinated Debt Investments Credit	None	Equity or subordinated debt	Annual gross sales of less than $3.0 million in its most recent fiscal year. The company's principal office or facility must be located in VA. Is engaged in business primarily in or does substantially all of its production in VA. Has not obtained during its existence more than $3 million in aggregate gross cash proceeds from the issuance of its equity or debt investments. Is primarily engaged in one of the defined technology-related fields or other similar technology related fields as determined by the Department of Taxation.	Credit will be prorated if applications exceed current year cap.

Table 4 (continued). Equity Investment Tax Credit Requirements by State, December 31, 2014

State	Tax Credit	Qualified Investor Requirements	Qualified Investment Requirements	Qualified Business Requirements	Additional Information
Wisconsin	Angel Investor Tax Credit and Early Stage Seed Investment Tax Credit	Must invest the investor's own money. Does not own, control, or hold power to vote 20% or more of the outstanding securities of the qualified new business venture. Is not immediately related to an individual who owns, controls, or holds power to vote 20% or more of the outstanding securities of the qualified new business venture. Meets the qualifications of a "qualified investor" in WI.	None	To be certified as a qualified new business venture, a company must meet certain requirements, including the following: Have its headquarters in WI. Have less than 100 employees, at least 51% of whom are employed in WI. Have the potential for increasing jobs in this state, increasing capital investment in this state, or both, and any of the following apply: (1) It is engaged in, or has committed to engage in, innovation in manufacturing, biotechnology, nanotechnology, communications, agriculture, or clean energy creation or storage technology; processing or assembling products, including medical devices, pharmaceuticals, computer software, computer hardware, semiconductors, any other innovative technology products, or other products that are produced using manufacturing methods that are enabled by applying proprietary technology; or services that are enabled by applying proprietary technology; or (2) it is undertaking precommercialization activity related to proprietary technology that includes conducting research, developing a new product or business process, or developing a service that is principally reliant on applying proprietary technology. Not engage in real estate development, insurance, banking, lending, lobbying, political consulting, professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants, wholesale or retail trade, leisure, hospitality, transportation, or construction, except construction of power production plants that derive energy from a renewable resource, as defined in s.196.378(1)(h), Wis. Stats. Have been in operation in WI for not more than 10 consecutive years. Have not received more than $8 million in investments that qualify for Early Stage Seed Investment Tax Credits. Have not received aggregate private equity investment in cash of more than $10 million prior to being certified.	For additional requirements, see the Wisconsin Economic Development Corporation (WEDC) web site. Qualified new business status lasts for one year from the certification date. A business may reapply to the WEDC each year for certification for that year.

Sources: Various State Websites

Table 5. Venture Capital Tax Credit - Qualifying Business or Community-Based Seed Capital Awards by Investor Residency, Investment Years 2002 – 2007

	Residents of Iowa			Nonresidents		
Year in Which Investment Was Made	Number of Investors	Amount of Investments Received	Tax Credits Issued	Number of Investors	Amount of Investments Received	Tax Credits Issued
2002	116	$1,830,345	$366,069	*	*	*
2003	291	$3,550,498	$710,097	22	$28,927	$5,785
2004	405	$4,633,691	$776,738	126	$300,611	$60,116
2005	525	$10,003,848	$1,928,356	132	$1,154,467	$228,971
2006	702	$16,197,405	$3,119,995	79	$3,368,593	$673,719
2007	856	$11,586,196	$2,042,239	22	$527,466	$91,493
Total	2,895	$47,801,983	$8,943,494	381	$5,380,064	$1,060,084

* To avoid disclosing individual taxpayer data due to small numbers, 2002 and 2003 information regarding nonresidents was combined.

Source: Iowa Department of Revenue

Table 6. Venture Capital Tax Credit - Qualifying Business or Community-Based Seed Capital Fund Awards by Tax Type

Tax Type	Number of Awards	Amount of Awards	Minimum Award	Maximum Award	Average Award
Corporation Income Tax	193	$484,026	$6	$50,000	$2,508
Franchise Tax	62	$312,068	$47	$50,000	$5,033
Individual Income Tax	2,994	$8,714,158	$0.01	$50,000	$2,911
Insurance Premium Tax	27	$493,326	$47	$50,000	$18,271
Total	3,276	$10,003,578	$0.01	$50,000	$3,054

Source: Iowa Department of Revenue

Table 7. Venture Capital Tax Credit - Qualifying Business or Community-Based Seed Capital Fund Claims, Tax Years 2005 – 2013

Tax Year	Number of Claims	QBSC Tax Credit Claims	Average Claim
2005	70	$218,753	$3,125
2006	291	$452,935	$1,556
2007	413	$488,312	$1,182
2008	491	$757,684	$1,543
2009	748	$1,259,135	$1,683
2010	946	$1,162,279	$1,229
2011	525	$508,443	$968
2012	206	$252,554	$1,226
2013	118	$142,472	$1,207
Total	3,808	$5,242,567	$1,377

Source: Iowa Department of Revenue, IA 148 Tax Credits Schedule

Table 8. Venture Capital Tax Credit - Qualifying Business or Community-Based Seed Capital Fund Claims by Tax Type

Tax Type	Number of Claims	Amount of Claims	Minimum Claim	Maximum Claim	Average Claim
Corporation Income Tax	83	$38,747	$0	$5,600	$467
Franchise Tax	24	$180,811	$0	$50,000	$7,534
Individual Income Tax	3,696	$4,917,027	$0	$49,500	$1,330
Insurance Premium Tax	5	$105,982	$12,377	$31,478	$21,196
Total	3,808	$5,242,567	$0	$50,000	$1,377

Source: Iowa Department of Iowa, IA 148 Tax Credits Schedule
Note: Claims reflect the amount of the nonrefundable tax credit that was applied against tax liability; claims could be zero if the entire available tax credit was carried forward.

Table 9. Venture Capital Tax Credit – Venture Capital Fund Claims, Tax Years 2006 – 2013

Tax Year	Number of Claims	VC Tax Credit Claims	Average Claim
2006	27	$398,030	$14,742
2007	81	$233,849	$2,887
2008	128	$104,626	$817
2009	239	$165,502	$692
2010	255	$84,153	$330
2011	243	$282,315	$1,162
2012	192	$57,678	$300
2013	84	$51,295	$611
Total	1,249	$1,377,448	$1,103

Source: Iowa Department of Revenue, IA 148 Tax Credits Schedule

Table 10. Timing of Venture Capital Tax Credit - Qualifying Business or Community-Based Seed Capital Fund Claims

Year of Investment	Total Tax Credits Issued	Percent Claimed in First Year	Percent Claimed in Second Year	Percent Claimed in Third Year	Percent Claimed in Fourth Year	Percent Claimed in Fifth Year	Percent Claimed in Final Year	Amount Remaining
2002	$366,119	59.75%	0.89%	3.15%	0.67%	0.82%	0.92%	33.79%
2003	$715,832	56.49%	8.05%	1.31%	1.49%	0.38%	0.14%	32.15%
2004	$836,854	45.54%	1.99%	2.28%	1.15%	0.24%	0.10%	48.71%
2005	$2,157,327	32.13%	6.76%	5.81%	2.52%	1.21%	0.48%	51.09%
2006	$3,793,713	28.22%	8.65%	5.02%	2.91%	1.89%		53.30%
2007	$2,133,733	32.29%	11.98%	5.28%	2.67%			47.78%
Average		42.40%	6.39%	3.81%	1.90%	0.91%	0.41%	44.18%

Source: Iowa Department of Revenue, IA 148 Tax Credits Schedule

Table 11. Unclaimed Venture Capital Tax Credit - Qualifying Business or Community-Based Seed Capital Fund Awards

	No Tax Return Filed				Tax Return Filed					
	Iowa Residents		Nonresidents		Iowa Residents		Nonresidents		Total	
Year of Investment	Number of Certificates	Total of Unclaimed Awards	Number of Certificates	Total of Unclaimed Awards	Number of Certificates	Total of Unclaimed Awards	Number of Certificates	Total of Unclaimed Awards	Number of Certificates	Total of Unclaimed Awards
2002	7	$8,870	0	$0	26	$67,713	0	$0	33	$76,583
2003	19	$36,609	7	$2,510	71	$115,829	10	$887	107	$155,835
2004	31	$37,471	72	$4,450	115	$134,939	32	$6,715	250	$183,575
2005	28	$54,556	92	$153,237	134	$382,803	18	$39,659	272	$630,255
2006	29	$174,610	19	$157,435	193	$721,110	39	$321,066	280	$1,374,221
2007	53	$97,190	6	$240	243	$482,056	7	$45,224	309	$624,710
Total	167	$409,306	196	$317,872	782	$1,904,450	106	$413,551	1,251	$3,045,179
Number of Unique Taxpayers	126		125		626		78		955	

Source: Iowa Department of Revenue, IA 148 Tax Credits Schedule
Notes: This table includes only individual and corporate income taxpayers. Unclaimed awards refers to awards that were never reported on a tax return to be claimed. These numbers do not reflect under-claimed tax credits which were reported but may not have been fully claimed. Awards included under “No tax return filed” reflect taxpayers who failed to file an Iowa tax return in the first year in which the tax credit could be claimed. Awards included under “Tax return filed” reflect taxpayers who filed an Iowa tax return in the first year in which the tax credit could be claimed but failed to report the tax credit award on that or any future return.

Table 12. Investments Receiving Tax Credit Awards by Qualifying Business and Calendar Year of Investment

Qualifying Business	Year of Investment						Total
	2002	2003	2004	2005	2006	2007	
DES MOINES TECHNOLOGY BUSINESS ACCELERATOR LLC	$85,900	$65,900	.	.	.	.	$151,800
LIGHTWAVES SYSTEMS INC	$275,000	$342,000	$1,208,341	$145,000	$406,024	$3,096	$2,379,461
NEWSLETTER EASE LLC	$134,000	$10,000	.	.	.	.	$144,000
PROPLANNER INC	$400,000	$225,000	$323,900	$369,440	.	.	$1,318,340
REALITY SPORTS ENTERTAINMENT INC	$281,250	$250,000	$147,500	$70,000	.	.	$748,750
SCIENGISTICS LLC	$72,000	$5,000	.	.	.	.	$77,000
MAGNALYNX INC	.	$200,000	$269,500	$175,000	$5,000	.	$649,500
MICOY CORP FKA PRAIRIE LOGIC INC	.	$80,000	$100,000	$110,000	$30,704	.	$320,704
WATERS HOT INCORPORATED	.	$120,000	$282,500	$703,000	$713,999	$319,500	$2,138,999
CMNET	.	.	$10,000	.	.	.	$10,000
DATA BUILDER INC	.	.	$254,500	$650,002	$1,700,000	.	$2,604,502
ABSOLUTE ENERGY LLC	.	.	.	$20,000	$1,030,000	.	$1,050,000
ANE TECHNOLOGY SERVICES	.	.	.	$12,500	.	.	$12,500
BIOPROTECTION SYSTEMS CORP	.	.	.	$1,526,752	.	.	$1,526,752
DYNAMIC BROADBAND CORP	.	.	.	$300,000	.	.	$300,000
FREEDOM FUELS LLC	.	.	.	$4,375,750	$5,269,000	.	$9,644,750
RACCOON VALLEY BIODIESEL LLC	.	.	.	$650,000	.	.	$650,000
SPOT TRAC INC	.	.	.	$578,500	.	.	$578,500
BLUE SKY CREAMERY	.	.	.	.	$79,295	.	$79,295
EAST FORK BIODIESEL LLC	.	.	.	.	$4,075,000	.	$4,075,000
FURTHER FUELS LLC	.	.	.	.	$1,900,000	.	$1,900,000
HOMELAND ENERGY SOLUTIONS LLC	.	.	.	.	$1,325,000	.	$1,325,000
LXI ENTERPRISE STORAGE INC	.	.	.	.	$940,000	.	$940,000
MAPLE RIVER ENERGY LLC	.	.	.	.	$395,000	$10,016,316	$10,411,316
PERFECT CIRCLE CORPORATION	.	.	.	.	$345,000	.	$345,000
SECURITY COVERAGE INC	.	.	.	.	$375,000	.	$375,000
STOWMASTER INC	.	.	.	.	$250,000	.	$250,000
WHOLESOME HARVEST LLC	.	.	.	.	$145,307	$1,750	$147,057
CAMP MARKETING SERVICES LLC	.	.	.	.	.	$105,000	$105,000
RENEW ENERGY BRIQ SYSTEMS	.	.	.	.	.	$400,000	$400,000
Total	$1,248,150	$1,297,900	$2,596,241	$9,685,944	$18,984,330	$10,845,662	$44,658,227

Source: Iowa Department of Revenue

Table 13. Investments Receiving Tax Credit Awards by Business Sector of Qualifying Business and Calendar Year of Investment

2-Digit Standard Industrial Classification Code		Year of Investment 2002	2003	2004	2005	2006	2007	Total
17	Construction Special Trade Contractors	.	$120,000	$282,500	$703,000	$713,999	$319,500	$2,138,999
28	Chemicals and Allied Products	.	.	.	$1,546,752	$4,255,000	.	$5,801,752
29	Petroleum Refining and Related Industries	.	.	.	$4,375,750	$9,739,000	$10,016,316	$24,131,066
36	Electronic And Other Electrical Equipment And Components, Except Computer Equipment	$275,000	$542,000	$1,477,841	$320,000	$411,024	$3,096	$3,028,961
50	Wholesale Trade - Durable Goods	.	.	.	.	$250,000	.	$250,000
51	Wholesale Trade - Non-durable Goods	.	.	.	.	$490,307	$1,750	$492,057
54	Food Stores	.	.	.	.	$79,295	.	$79,295
73	Business Services	$606,000	$240,000	$588,400	$1,031,942	$3,015,000	$400,000	$5,881,342
75	Automotive Repair, Services, and Parking	.	.	.	$650,000	.	.	$650,000
78	Motion Pictures	.	$80,000	$100,000	$110,000	$30,704	.	$320,704
79	Amusement and Recreation Services	$281,250	$250,000	$147,500	$70,000	.	.	$748,750
82	Educational Services	$85,900	$65,900	.	.	.	.	$151,800
87	Engineering, Accounting, Research, Management, and Related Services	.	.	.	.	.	$105,000	$105,000
96	Administration of Economic Programs	.	.	.	$578,500	.	.	$578,500
	Unknown	.	.	.	$300,000	.	.	$300,000
Total		$1,248,150	$1,297,900	$2,596,241	$9,685,944	$18,984,330	$10,845,662	$44,658,227

Source: Iowa Department of Revenue, NETS database via Iowa State University

Table 14. Percent of Qualifying Business or Community-Based Seed Capital Tax Credit Awards Unclaimed by Business Sector, Tax Years 2006-2013

2-Digit Standard Industrial Classification Code		Percent of Awards Unclaimed	Distribution of Awards	Distribution of Unclaimed Awards
17	Construction Special Trade Contractors	5.4%	4.8%	4.3%
28	Chemicals and Allied Products	5.6%	13.1%	12.0%
29	Petroleum Refining and Related Industries	6.8%	54.4%	60.9%
36	Electronic And Other Electrical Equipment And Components, Except Computer Equipment	3.8%	6.8%	4.3%
50	Wholesale Trade - Durable Goods	0.0%	0.6%	0.0%
51	Wholesale Trade - Non-durable Goods	3.4%	1.1%	0.6%
54	Food Stores	0.0%	0.2%	0.0%
73	Business Services	5.3%	13.3%	11.6%
75	Automotive Repair, Services, and Parking	7.3%	1.5%	1.8%
78	Motion Pictures	0.0%	0.7%	0.0%
79	Amusement and Recreation Services	6.8%	1.7%	1.9%
82	Educational Services	2.2%	0.3%	0.1%
87	Engineering, Accounting, Research, Management, and Related Services	1.0%	0.2%	0.0%
96	Administration of Economic Programs	11.9%	1.3%	2.5%
	Average	4.3%	100.0%	100.0%

Source: Iowa Department of Revenue, NETS database via Iowa State University