

SEED CAPITAL INVESTMENT TAX CREDIT - MULTISTATE SURVEY

This memorandum was requested to provide information on the availability of incentives in other states that are similar to the seed capital investment tax credit provided in North Dakota Century Code Section 57-38.5-03. The following table provides an overview of each incentive including the name of the incentive, the agency administering the incentive, a brief description of the incentive, and the statutory citation.

State	Incentive Title	Administering Agency	Description	Statutory Citation
Arkansas	Equity Investment Tax Credit	Arkansas Economic Development Commission	A taxpayer is allowed a credit against state income tax liability for purchasing an equity interest in a qualified business. The purposes of the equity investment tax credit are to encourage capital investment in early-stage and start-up businesses, businesses paying wages in excess of prevailing wages in the area, or businesses that receive investments from venture capital funds and regional or community-based alliance funds. The amount of the credit is equal to 33.3 percent of the actual purchase price paid for the equity interest in the business. The amount of the credit claimed cannot exceed 50 percent of a taxpayer's net state income tax liability per taxable year. Any amount exceeding a taxpayer's liability may be carried forward for up to nine taxable years following the year in which the equity interest was purchased. Unused credits may also be sold to another taxpayer, either in whole or in part, but may only be sold once. The amount of credits issued per calendar year may not exceed \$6.25 million.	Arkansas Code Annotated Sections 15-4-3302 through 15-4-3305
Georgia	Seed-Capital Fund Credit	Georgia Department of Revenue	A taxpayer may receive a credit against income tax liability for qualified investments in a research fund. A research fund is a fund that provides early-stage financing for businesses formed as a result of intellectual property derived from research conducted in a university in Georgia. The amount of the credit is equal to 25 percent of the taxpayer's qualified investment. Any unused credit amount may be carried forward for up to 10 taxable years. Taxpayers will no longer be eligible to receive the credit once qualified investments in a research fund reach \$30 million in private investments.	Georgia Code Annotated Section 48-7-40.27
Iowa	Qualifying Business and Community-Based Seed Capital Funds Tax Credit	Iowa Economic Development Authority	A taxpayer may receive a credit against income tax liability for equity investments in a community-based seed capital fund or a qualifying business. The amount of the credit is equal to 25 percent of the investor's equity investment, up to a maximum of \$100,000 in credits per taxpayer in each taxable year. Credits issued based on investments in any one qualifying business may not exceed \$500,000 per taxable year. Credits are available on a first-come, first-serve basis and investments must be at risk for a period of three years. Unused credits may be carried forward for up to three taxable years. A qualifying business must have its principal business operations in Iowa, have a net worth of \$5 million or less, and have been in operation for less than seven years. The owner of a qualified business may not conduct business in certain designated fields and must meet various other specified requirements. A qualifying community-based seed capital fund must be organized as a limited partnership or limited liability company and must have total capital commitments in qualifying businesses of at least \$125,000, but no greater than \$3 million. The fund must also have at least five nonaffiliate investors with no single investor owning more than 25 percent of the ownership interests in the fund. The amount of credits issued may not exceed \$2 million per fiscal year.	Iowa Code Annotated Sections 15E.41 through 15E.43

State	Incentive Title	Administering Agency	Description	Statutory Citation
Kansas	Venture Capital Credit	Kansas Department of Revenue	A taxpayer may receive a credit against income tax liability for investments in a certified local seed capital pool. The amount of the credit is equal to 25 percent of the cash investment. Any credit amount exceeding a taxpayer's liability may be carried forward until the total amount of the credit is used. The Kansas Secretary of Commerce must certify a qualifying local seed capital pool.	Kansas Statutes Annotated Section 74-8205
Maine	Main Seed Capital Tax Credit Program	Finance Authority of Maine	A taxpayer may receive a credit against income tax liability for investments in eligible businesses. The amount of the credit is equal to 50 percent of the cash equity a taxpayer provides to an eligible business. An eligible business must be located in Maine; have annual gross sales of less than \$5 million; use taxpayer investment amounts for fixed assets, research, or working capital; and meet additional specified requirements. A taxpayer may invest up to \$500,000 per business in a consecutive three-year period. Investments made in any one business having received \$5 million in investments will no longer qualify for the credit. A taxpayer's investment must be at risk for a period of five years and a taxpayer may only claim earned credits in increments of 25 percent per year starting with the year in which the investment was made. A maximum of 50 percent of a taxpayer's liability may be offset in any taxable year. Any unused credits remaining after four taxable years may be carried forward for up to 15 taxable years. The maximum amount of credits that may be awarded is equal to \$4 million in credits in investment year 2015 and \$5 million in credits in investment year 2016.	36 Maine Revised Statutes Annotated Section 5216-B
Minnesota	Seed Capital Investment Credit Program	Minnesota Department of Employment and Economic Development	A taxpayer may receive a credit against income tax liability for investing in eligible businesses. The investment must be at risk in the business for at least three years. The amount of the credit is equal to 45 percent of the amount invested, up to a maximum amount of \$112,500 per year. Any unused credit amount may be carried forward for up to four taxable years. For purposes of the credit, an eligible business must add value to a product, process, or service; rely on innovation, research, or the development of new products and processes for growth and profitability; increase revenue to a Minnesota business through sales to customers outside of Minnesota; have its principal office located in a city bordering a neighboring state; and have the majority of its principal office employees consist of Minnesota residents. Investments received by an eligible business must be used for plant equipment, research and development, marketing and sales activity, or working capital.	Minnesota Statutes Annotated Sections 116J.8732 and 290.06
Vermont	Vermont Entrepreneur's Seed Capital Fund	Vermont Center for Emerging Technologies	A taxpayer who contributes to the seed capital fund may receive a credit against income tax liability. The amount of the credit is equal to the lesser of 4 percent of the taxpayer's contribution or 50 percent of the taxpayer's tax liability for the year prior to claiming the credit. Any unused credit amount may be carried forward for up to four taxable years, up to a credit amount equal to 20 percent of the taxpayer's contribution to the initial \$7.15 million capitalization of the fund. A qualifying fund is a professionally managed venture capital fund investing in start-ups and expanding firms, identified as providing a public benefit to Vermont, with a high growth potential, and financial return commensurate with risk.	32 Vermont Statutes Annotated Section 5830b