

STATE OF NEW YORK

7033

2023-2024 Regular Sessions

IN SENATE

May 17, 2023

Introduced by Sen. CLEARE -- read twice and ordered printed, and when printed to be committed to the Committee on Budget and Revenue

AN ACT to amend the tax law, in relation to providing for an angel investor tax credit

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Section 606 of the tax law is amended by adding a new
2 subsection (ppp) to read as follows:

3 (ppp) Angel investor credit. (1) Allowance of credit. A taxpayer, who
4 is an angel investor, as defined by subparagraph (ii) of paragraph three
5 of this subsection, shall be allowed a credit, to be computed as herein-
6 after provided, against the tax imposed by this article, for investing
7 twenty-five thousand dollars or more in a qualifying business. The
8 amount of the credit shall be twenty-five percent of the investment in
9 the qualifying business up to but not exceeding two hundred fifty thou-
10 sand dollars.

11 (2) Application of credit. If the amount of credit allowable under
12 this subsection for any taxable year shall exceed the taxpayer's tax for
13 such year, the excess may be carried over to the following year or
14 years, and may be deducted from the taxpayer's tax for such year or
15 years.

16 (3) Definitions. For purposes of the credit described in this
17 subsection:

18 (i) "Qualifying business" shall mean a business enterprise, including
19 a sole proprietorship, partnership or corporation that:

20 (A) has not yet generated revenue or has gross revenues, along with
21 the gross revenues of its affiliates and related members, not exceeding
22 one million dollars for the taxable year immediately preceding the year
23 the taxpayer is allowed a credit under this subsection. For purposes of
24 this paragraph, the term "related member" shall have the same meaning as
25 set forth in clauses (A) and (B) of subparagraph one of paragraph (o) of

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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1 subdivision nine of section two hundred eight of this chapter, and the
2 term "affiliates" shall mean those corporations that are members of the
3 same affiliated group (as defined in section fifteen hundred four of the
4 internal revenue code) as the taxpayer;

5 (B) has no more than twenty-five full-time employees, of which at
6 least sixty percent are employed in New York state;

7 (C) has operated in the state for no more than seven consecutive
8 years; and

9 (D) has received no more than two million dollars in investments
10 eligible for the credit described in this subsection from one or more
11 than one angel investor;

12 (ii) "Angel investor" shall mean an accredited investor as defined in
13 rule 501 of regulation D of the Federal Securities Act of 1933, as
14 amended; but shall not include:

15 (A) an investor who controls fifty percent or more of the qualifying
16 business receiving the investment subject to the credit described by
17 this subsection; or

18 (B) a venture capital company or any bank, savings and loan associ-
19 ation, trust, insurance company or similar entity, whose normal business
20 activities include venture capital investment.

21 § 2. Section 210-B of the tax law is amended by adding a new subdivi-
22 sion 60 to read as follows:

23 60. Angel investor credit. (a) Allowance of credit. A taxpayer, who is
24 an angel investor, as defined by subparagraph (ii) of paragraph (c) of
25 this subdivision, shall be allowed a credit, to be computed as herein-
26 after provided, against the tax imposed by this article, for investing
27 twenty-five thousand dollars or more in a qualifying business. The
28 amount of the credit shall be twenty-five percent of the investment in
29 the qualifying business up to but not exceeding two hundred fifty thou-
30 sand dollars.

31 (b) Application of credit. The credit allowed under this subdivision
32 for any taxable year shall not reduce the tax due for such year to less
33 than the amount prescribed in paragraph (d) of subdivision one of
34 section two hundred ten of this article. However, if the amount of
35 credit allowed under this subdivision for any taxable year reduces the
36 tax to such amount, any amount of credit thus not deductible in such
37 taxable year may be carried over to the following year or years and may
38 be deducted from the taxpayer's tax for such year or years.

39 (c) Definitions. For purposes of the credit described in this subdivi-
40 sion:

41 (i) "Qualifying business" shall mean a business enterprise, including
42 a sole proprietorship, partnership or corporation that:

43 (A) has not yet generated revenue or has gross revenues, along with
44 the gross revenues of its affiliates and related members, not exceeding
45 one million dollars for the taxable year immediately preceding the year
46 the taxpayer is allowed a credit under this subdivision. For purposes of
47 this paragraph, the term "related member" shall have the same meaning as
48 set forth in clauses (A) and (B) of subparagraph one of paragraph (o) of
49 subdivision nine of section two hundred eight of this article, and the
50 term "affiliates" shall mean those corporations that are members of the
51 same affiliated group (as defined in section fifteen hundred four of the
52 internal revenue code) as the taxpayer;

53 (B) has no more than twenty-five full-time employees, of which at
54 least sixty percent are employed in New York state;

55 (C) has operated in the state for no more than seven consecutive
56 years; and

(D) has received no more than two million dollars in investments eligible for the credit described in this subdivision from one or more than one angel investor;

(ii) "Angel investor" shall mean an accredited investor as defined in rule 501 of regulation D of the Federal Securities Act of 1933, as amended; but shall not include:

(A) an investor who controls fifty percent or more of the qualifying business receiving the investment subject to the credit described by this subdivision; or

(B) a venture capital company or any bank, savings and loan association, trust, insurance company or similar entity, whose normal business activities include venture capital investment.

§ 3. Subparagraph (B) of paragraph 1 of subsection (i) of section 606 of the tax law is amended by adding a new clause (li) to read as follows:

<u>(li) Angel investor credit</u>	<u>Amount of credit under</u>
<u>under subsection (ppp)</u>	<u>subdivision sixty of</u>
	<u>section two hundred ten-B</u>

§ 4. This act shall take effect immediately and shall apply to personal income taxable years beginning on and after January 1, 2024.