

Income Tax Credit for Angel Investors Passes, Now in Michigan Senate

Tax Credit Could Equal 25% of Investment

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A bill providing a tax credit for angel investors in Michigan has passed through the House and is making its way through the state Senate.

If enacted, starting this year, qualifying investors would receive an income-tax credit equal to 25% of an investment in qualified seed or early-stage Michigan businesses. To qualify, investors would need to work with a state-approved seed venture capital or angel investor group to make a minimum investment of \$15,000 in a start-up business headquartered, domiciled, and employing workers in Michigan. Within 60 days of making such qualified investment, the investor would need to seek certification for the tax credit from the state via the Michigan Strategic Fund.

The investor would have to claim the tax credit in equal amounts over a two-year period, and an investor would not be able to claim a credit of more than \$500,000 in any tax year. In the event that an investor's credit exceed his or her total tax liability for the tax year, the credit would not be refunded but could be carried forward to offset tax liability in subsequent years.

A state-wide cap of \$10 million annually would apply to the disbursed tax credits, and the credits would extend through 2013. Each qualified business, as determined by the Michigan Strategic Fund, would be eligible to receive a total of \$1 million in qualified investments over the life of the tax credit. Additional investments over \$1 million in a single qualified business would not be certified as eligible for the tax credit.

If you would like to learn more, contact your Miller Canfield lawyer or the authors, John Novak at 269.388.6825 or Aimee Jachym at 269.383.5841.