

Proposed Extension of the Angel Investment Tax Credit



Agenda

TOPICS

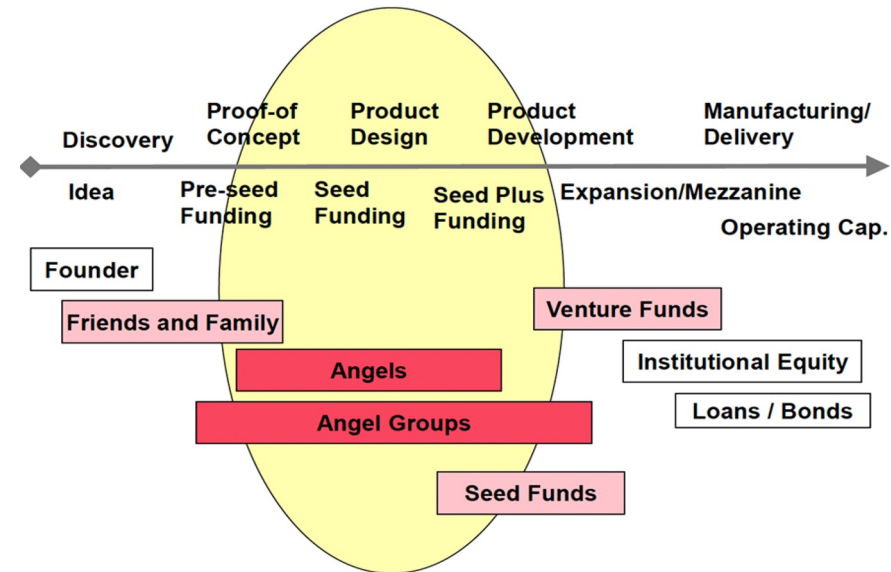
1. What is Angel Investing?
2. Why Does it Matter?
3. How Does the Angel Investment Tax Credit Work?
4. Case Studies- How the Tax Credit Makes a Difference
5. Support for Extending the Tax Credit
6. Next Steps

What is Angel Investing?

Angel investments are injections of private capital by 'Accredited Investors' (defined by U.S. Securities and Exchange Commission) into early-stage & high-growth companies. Angels are known to be patient with entrepreneurs and provide support for long time periods.

Angel investments typically occur after money provided by entrepreneurs and friends-and-family, and before a company can attract institutional money such as venture capital and private equity firms, let alone commercial lending.

Thus, angel investments come at a critical stage in the life cycle of a young company.



Why does Angel Investing Matter?



90% = Angel Investors
of the outside investment in
early stage & high-growth
enterprises



**\$24 Billion = Annual US
Angel activity** in 64,000+
startups nationwide (estimate)

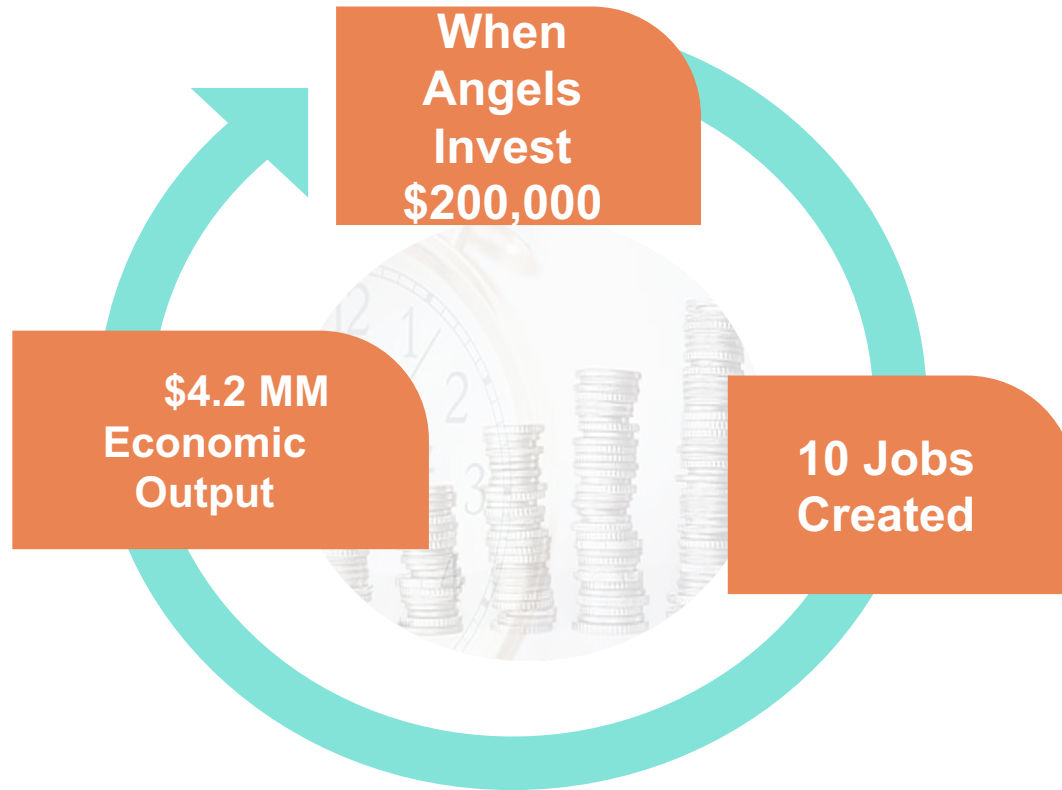


1.7 million = additional jobs
annually in the local economy
from Startups (US Dept of Labor)



In NM, jobs created by Angel Investment Tax Credit companies tend to be high wage, amplifying the economic impact in our state.

Why does Angel Investing Matter?



How does the Tax Credit Work?



Angel Investment Tax Credit allows a New Mexican (who files a NM income tax return) to take a tax credit (not a refund) of **25% of their investment**, up to **\$62,500 per investment**, for maximum of 5 investments per year

Credit is nonrefundable



Claims are approved on a first-come, first-served basis. If the total applications in a year exceed the \$2 million cap, then unpaid claims are granted priority the next year

Carry forward period is up to 5 years

Current tax credit sunsets Dec 31, 2025

How does the Tax Credit Work?

FIRST

- Companies apply to NM Tax & Rev
- Companies meet requirements
- Receive letter from Tax & Rev

REQUIREMENTS

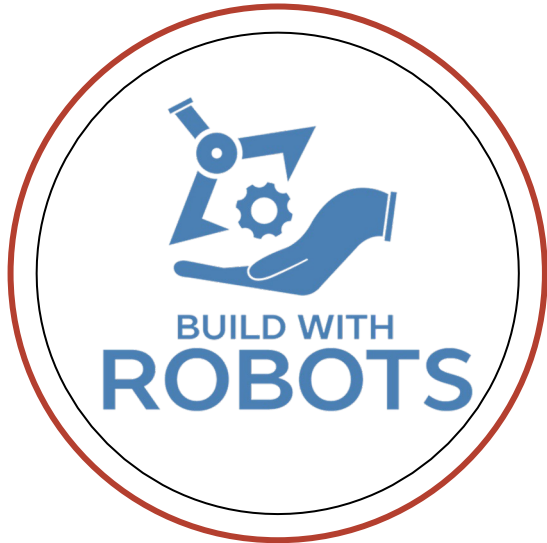
- Majority of employees & investment must be in NM
- Company does ‘qualified research’ (Sec 41 of Internal Revenue Code) and/or manufacturing

NEXT

‘Accredited Investors’ who file personal income tax in NM apply for credit based on their investments in approved companies

This is money from New Mexicans for New Mexicans!

Case Study – Build With Robots



HQ: ABQ, NM

Founded: 2020

Total Investment: \$6.5M, \$5M from qualified Angel investors

Build With Robots automates disinfection solutions that are eco-friendly, save time / money and keep workers safe

With angel investment, company added:

25 Jobs in Downtown ABQ

\$4.7 MM revenues >60% from products sold outside of NM, now scaling sales across the US

“Without this Credit, we would not have raised \$5M from local angel investors”

Case Study – Terra Vera



Mildew reduction 24 hours



95% control of Varroa Mites with one treatment

Headquarters: Placitas, NM

Founded: 2020

Total Investments: \$3.4M, \$1.5M from Angel investors

Terra Vera is a platform technology company focused on improving food security by controlling plant disease and pests using environmentally responsible solutions

With angel investment, the company added:

5 of 8 Jobs based in NM

\$2.1MM revenues >90% from products sold outside of NM.

Positioned to scale by 10X+ in next 2 years

“This Angel Tax Credit is one of the most distinct advantages we have to be NM based”

Additional Examples



HQ: ABQ, NM

Founded: 2017

Tax Credit Used: \$2M

Electric Playhouse is the ultimate space for all to enjoy interactive games, art, dinners and shows

With angel investment, company added:

20 Jobs in Westside ABQ

\$5MM revenues

\$2MM in taxes, capital back to government - including construction - since inception

Partnering with mall owner Simon Property Group to expand to Las Vegas, NV

Additional Examples



HQ: Las Cruces, NM

Founded: 2019

Tax Credit Used: \$440K

Ganymede Entertainment creates bite-sized, immersive gaming for adults

With angel investment, company added:

3 Jobs in NM

\$440K in taxes, capital back to government since inception

Has runway to full product launch in 2024!

Companies receiving Credits in 2022 – 23 include: Angel Tax Credit Investees make a difference in NM



Angel Tax Credit Investees Make a Difference

Leveling up: Electric Playhouse's latest multimedia experience turns 'walls and floors into interactive games'

By Adrian Gomez / Journal Arts and Features Editor Aug 27, 2021



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New Mexico Vintage Fund Invests in Ganymede Games

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Support for Extending the Angel Investment Tax Credit

Adelante Consulting, Inc.

CNM Ingenuity

Cottonwood Technology Fund

Navajo Technical University

New Mexico Angels

New Mexico Chamber of Commerce

NMSU Arrowhead Center

New Mexico Vintage Fund

OneTen Capital

REDW

Roadrunner Venture Studios

Sandia Science & Technology Park

Tramway Ventures

UNM Rainforest Innovations

In addition, >100 individual Angel Investors expressed support for the extension

**Expansion of this tax credit is included in recommendations in the strategic plan of the Albuquerque Regional Economic Alliance (AREA), as well.*

Additional Support

In the FIR on last session's bill, NM Economic Development Department (NM EDD) highlighted:

“Historically, NM businesses have lagged businesses in other states in receiving investments. This lag of investment has encouraged businesses to look to other states for investors which leads to a loss of employers and startups.”

“The Economic Development Department identified in its recently released 20-year strategic plan that partnerships between our universities, national labs and startups could drive economic diversification.”

Next Steps

Bill similar to last year's HB 69 (as amended) is drafted and ready for introduction in the 2024 Legislative Session

- Representatives Dixon, Hernandez and Serrato will sponsor
- Bill changes only one thing: **extends** the tax credit through 2030
- Investors and entrepreneurs need the certainty of a longer horizon than the end of next year, so extension to 2030 is important



Thank you

**We ask for your support for the Angel
Investment Credit bill in the 2024
Legislative Session**

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