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SENATE BILL 150

47TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2005

INTRODUCED BY

H. Diane Snyder

FOR THE REVENUE STABILIZATION AND TAX POLICY COMMITTEE

AN ACT

RELATING TO TAXATION; PROVIDING FOR AN INCOME TAX CREDIT FOR INVESTMENT IN CERTAIN HIGH-TECHNOLOGY, BIOTECHNOLOGY OR MANUFACTURING BUSINESSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. A new section of the Income Tax Act is enacted to read:

"~~[NEW MATERIAL]~~ ANGEL INVESTMENT CREDIT. --

A. To encourage investment in qualified businesses, any taxpayer who files an individual New Mexico income tax return, who is not a dependent of another taxpayer and who makes a qualified investment may claim a credit in an amount not to exceed fifteen percent of not more than five hundred thousand dollars (\$500,000) of the qualified investment. The tax credit shall be known as the "angel investment credit".

underscoring material = new
[bracketed material] = delete

1 B. A taxpayer may claim the angel investment credit
2 for not more than three qualified investments for each taxable
3 year in which the taxpayer makes a qualified investment. The
4 taxpayer may claim the credit no later than one year following
5 the end of the calendar year in which the qualified investment
6 was made provided that a claim for the credit may not be made
7 or allowed with respect to any investment made after December
8 31, 2009. A claim for the angel investment credit shall not
9 exceed twenty-five thousand dollars (\$25,000) for each
10 qualified investment made by the taxpayer.

11 C. A husband and wife who file separate returns for
12 a taxable year in which they could have filed a joint return
13 may each claim one-half of the credit that would have been
14 allowed on a joint return.

15 D. A taxpayer who otherwise qualifies for and
16 claims the angel investment credit on a qualified investment
17 made by a partnership of which the taxpayer is a member may
18 claim a credit only in proportion to the taxpayer's interest in
19 the partnership. The total credit claimed by all members of
20 the partnership shall not exceed twenty-five thousand dollars
21 (\$25,000) for each qualified investment made by the
22 partnership.

23 E. The angel investment credit may only be deducted
24 from the taxpayer's income tax liability. Any portion of the
25 tax credit provided by this section that remains unused at the

1 end of the taxpayer's taxable year may be carried forward for
2 three consecutive years; provided that the total tax credits
3 claimed under this section shall not exceed twenty-five
4 thousand dollars (\$25,000) for each qualified investment made
5 by the taxpayer.

6 F. As used in this section:

7 (1) "equity" means common or preferred stock
8 of a corporation, a partnership interest in a limited
9 partnership or a membership interest in a limited liability
10 company, that is not subject to an option for redemption by the
11 issuer within five years from the date of issuance;

12 (2) "qualified business" means a business
13 that:

14 (a) engages in high-technology,
15 biotechnology and manufacturing activities in New Mexico;

16 (b) has gross revenues of not more than
17 five million dollars (\$5,000,000) during the previous fiscal
18 year; and

19 (c) is not primarily engaged in or is
20 not primarily organized as any of the following types of
21 businesses: 1) banks; 2) savings and loan institutions; 3)
22 credit or finance institutions; 4) financial broker or
23 investment firms; 5) businesses organized for the primary
24 purpose of rendering professional services; 6) accounting
25 businesses; 7) government, charitable, religious or trade

1 institutions or organizations; 8) conventional coal, oil, gas
2 and mineral exploration businesses; 9) insurance businesses;
3 10) real estate design or engineering businesses; 11)
4 construction or construction contracting businesses; 12)
5 consulting or brokering businesses; and 13) residential housing
6 businesses; and

7 (3) "qualified investment" means a cash
8 investment in a qualified business for equity, but does not
9 include an investment by a taxpayer if the taxpayer, a member
10 of the taxpayer's immediate family or an entity affiliated with
11 the taxpayer receives compensation from the qualified business
12 in exchange for services provided to the qualified business
13 within one year of investment in the qualified business. "

14 Section 2. TEMPORARY PROVISION. --For taxable years 2010
15 through 2012, a taxpayer may carry forward amounts resulting
16 from angel investment credits claimed and approved for
17 qualified investments made in the calendar year 2007, 2008 or
18 2009.

19 Section 3. DELAYED REPEAL. --The provisions of Section 1
20 of this act are repealed on January 1, 2011.

21 Section 4. APPLICABILITY. --The provisions of this act
22 apply to taxable years beginning on or after January 1, 2005.