

## SALT: Credits & Incentives

# Georgia Tax Credits for Investors

### Angel Investor Tax Credit

The Angel Investor Tax Credit offers a tax credit of up to \$50,000 annually for investors in “qualified businesses” in the state of Georgia. The credit equals 35% of the amount invested, and is available for investments made between 2015 and 2018. Investments must be made in the form of cash in exchange for stock by an “accredited investor.”

### How to Plan for and Claim the Credit

To be an eligible qualified business, a company must file an application with the state of Georgia and be approved before the investment is made. Therefore, investors should plan ahead to retain eligibility for the credit.

Investors must apply for the credit between September 1 and October 31, two years after the investment is made. For investments made during 2015, the investor would be eligible to claim the credit in 2017 to offset any tax owed in that year or the five years following. Additionally, if a start-up ceases operations, dissolves, sells or merges, the investor could still be eligible for the credit depending on the situation.

### Does your Business Qualify for the Tax Credit?

To be eligible for the Angel Investor Tax Credit, businesses must meet the following criteria:

- ▶ Headquartered in Georgia
- ▶ Less than three years old
- ▶ Have no more than 20 employees
- ▶ Have annual revenue of less than \$500,000
- ▶ Have received no more than \$1 million of cash from equity or debt issuance (not including commercial debt)
- ▶ Engaged in one of the following business lines: Manufacturing, Processing, Online/Digital Warehousing, Software Development, IT Services, R&D, or Online/Digital Wholesaling

A qualified investment is cash for stock, equity interest, or subordinated debt in a corporation, partnership or LLC. The investment cannot be subject to any commissions or other remuneration for the solicitation of the investment (no middle men).

A qualified investor can be an individual or pass-through entity that is accredited by SEC standards. An accredited investor is someone who is a natural person of the U.S. and has earned income greater than \$200,000 (\$300,000 together if with a spouse) in each of the prior two years and reasonably expects the same for the current year, or has a net worth over \$1,000,000, either alone or together with a spouse (excluding the value of the person's primary residence). The investor cannot be compensated by the company in any way for two years after the investment; however, he or she is allowed to participate in a stock option plan. The investor is allowed to serve as an officer, director or manager of the company.

Remember, the Angel Investor Tax Credit is 35% of an investment in a qualified business and is capped at \$50,000 per year, which can offset 100% of the income tax burden up to \$833,333 of Georgia taxable income.

## Seed Capital Fund Tax Credit

Available to taxpayers who invest in a qualified research fund, the Seed Capital Fund Tax Credit can be utilized to offset state income tax liability. The amount of the credit is either 10% or 25% of the taxpayer's qualified investment, depending upon the total amount of qualified cash investments in the research fund. Taxpayers must obtain certification from the research fund of the qualified investment.

A tax credit equal to 25% of the funds invested is available for funds with less than \$30 million in total qualified investments. Once the fund reaches \$30 million, investors are no longer eligible for tax credits. A tax credit equal to 10% of the funds invested is available for funds with less than \$75 million in total qualified investments. Once the fund reaches \$75 million, investors are no longer eligible for tax credits. Credits cannot exceed the taxpayer's tax liability (e.g., create a refund) and any unused credit may be carried forward for 10 years. Further, the credit may pass through to members, shareholders, or partners in accordance with their proportionate interest. Taxpayers cannot claim both seed fund credits and angel investor tax credit.

**What's a Qualified Investment?** A cash investment in a research fund that is not made by/on behalf of the state.

**What's a Research Fund?** A fund that provides early-stage financing for businesses as a result of the intellectual property resulting from the research conducted in Georgia universities.

## How to Plan for and Claim the Credit

To claim the credit, the research fund must issue to the taxpayer a certification that such investment meets the tax law requirements. The certification must be attached to the applicable tax credit form and submitted with the taxpayer's Georgia income tax return each year in which these credits are claimed. If the fund is liquidated prior to the investment of all the cash received from taxpayers, the credit for such un-invested funds is subject to recapture. If recaptured, the amount shall be treated as taxes payable to the state in the year in which the return of the invested funds occurs.

*Let us be your guide forward*



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