

Everything You Need to Know About Connecticut's Angel Investor Tax Credit Program

Angel investors can change the trajectory of a startup with one swipe of a pen and a few key introductions or some well-timed business advice. But investing in early-stage companies isn't without risk, even if you follow a proven due diligence process. Connecticut's Angel Investor Tax Credit Program helps mitigate some of that risk by rewarding investors with a credit they can transfer, sell or use to offset their state income taxes. Read on to learn more.

What is Connecticut's Angel Investor Tax Credit Program?

Introduced in July 2010 as part of the Jobs Bill to stimulate investment in Connecticut businesses, Connecticut's Angel Investor Tax Credit Program provides qualified angel investors—there are minimum thresholds for net worth or income, among other factors—with a 25% credit against Connecticut's state income tax when they invest at least \$25,000 in a qualifying business. For example, if you invest \$25,000, you'll receive a \$6,250 tax credit.

Angels can invest up to \$2 million throughout the life of the program, which has been renewed through 2028, and the resulting tax credits are saleable and transferable, which is an advantage if you live outside of Connecticut and don't have an income tax liability here.

How does the program work?

Angel investors who want to participate in the Angel Investor Tax Credit Program start by sending a completed [Angel Investor Certification/Request for Tax Credit Reservation](#) to Connecticut Innovations, the state's venture capital arm, which [administers the program](#). Ten to 15 days later, you'll receive an email with your reservation number and a list of quick, simple next steps that consist of having the CEO fill out and sign the Angel Tax Credit Request and emailing a signed copy of the investment document, a copy of the check or wire, and a copy of the Qualified Connecticut Business's bank statement. (Note that each investment is different depending on the term sheets for each Qualified Connecticut Business.)

Ten to 15 days after that, CI will deliver a voucher of tax credit to your email inbox. Angel investors can then give that voucher to their accountant come tax time. (The Connecticut Department of Revenue Services has a form, CT-IT, that you or your tax professional will fill in using the information from the voucher. You don't need to send the voucher to the CT DRS.)

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How do you sell a tax credit?

Selling or transferring a tax credit sounds complicated, but it's not, according to Stepheni Harpin, a senior investment analyst at Connecticut Innovations and the program's primary contact. "The angel investor simply contacts us with a signed Notice of Assignment, and we reissue the angel tax credit voucher to the assignee. The angel can work with a broker, or they can work with the CEO of the company they invest in. In that case, the CEO helps the angel find a buyer."

What companies can I invest in?

Angels can invest in any [qualified Connecticut company](#) in any industry. (Today, there are nearly 100 to choose from.) To qualify, companies must:

- have less than \$1 million in revenue
- have been in operation in Connecticut for less than seven years
- have fewer than 25 employees, three-quarters of whom must reside in Connecticut
- be owned primarily by their management and/or their management's family.

Companies become qualified by filling out an application and sending it, along with supporting documents including, but not limited to, a business plan, a certificate of good standing, and an impact statement describing the potential economic impact of the business, including the number, location and types of jobs to be created, to Connecticut Innovations.

Companies can receive up to \$2 million in angel investments throughout the life of the program, though the funds can come from multiple angels.

The Qualified Connecticut Business application is good for one year; however, the business must recertify annually. Once the company exceeds \$1 million in revenue, reaches the \$2 million investment limit, becomes older than seven years, has more than 25 employees, or has more than a quarter of its staff living outside Connecticut, the business is considered to have graduated and is no longer part of the program.

Is Connecticut's Angel Investor Tax Credit Program popular?

Really popular. Since the program's inception, angels have invested more than \$124 million in Connecticut companies. "We expect that number to continue to climb as more and more people learn about the program," said Harpin. "Our angels see not only the value in investing in our state's exciting new startups for a potentially large return, but also the value in the tax credits themselves. And some of our successful entrepreneurs are turning around and becoming angels themselves once they exit. It's a great program, and we encourage all of our startups and our investors to look into it."

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What else do I need to know?

There is a cap on the amount of tax credits the state will issue—\$5 million per fiscal year—with reservations against available investments by angels offered on a first-come, first-served basis.

Ready to get started? You can [view a list of qualified Connecticut businesses](#) and [request an investor application today](#).