Angel Investor Tax Credit

Info Session

Massachusetts Life Sciences Center
The capital of scientific revolution.
Agenda

• About Massachusetts Life Sciences Center
• Angel Investor Tax Credit overview
• Eligibility Requirements:
  • Investors
  • Business
• Investment Criteria
• Credit Limitations
• Pass Through Entities
• Post-Award Annual Reporting
• Recapture
• How to Apply
• Technical FAQ
• The Massachusetts Life Sciences Center is an economic development agency with a mission of supporting the growth and development of the life sciences in Massachusetts.

• Our mission is to serve as the “hub” of the Massachusetts life sciences ecosystem:
  • encouraging innovation through investments in good science and good business
  • strengthen and protect Massachusetts’ global leadership position in the life sciences
  • accelerate the commercialization of promising treatments, therapies, and cures that will improve patient care
  • create jobs
  • drive economic and STEM workforce development
Life Sciences means advanced and applied sciences that expand the understanding of human physiology and have the potential to lead to medical advances or therapeutic applications including, but not limited to:

- Agricultural biotechnology
- Biogenerics
- Bioinformatics
- Biomedical engineering
- Biopharmaceuticals
- Biotechnology
- Chemical synthesis
- Chemistry technology
- Diagnostics, genomics
- Image analysis
- Marine biology
- Marine technology
- Medical devices
- Nanotechnology
- Natural product pharmaceuticals
- Proteomics
- Regenerative medicine
- RNA interference
- Stem cell research
- Technology for Life Sciences
- Veterinary science
Angel Investor Tax Credit: Overview

- Regulation 830 CMR 62.6.5, published on July 24, 2020 by Massachusetts Department of Revenue

- Goal is to spur angel investments in life sciences start-ups located across Massachusetts

- Jointly administered by MLSC and MA Department of Revenue

- MLSC’s role:
  - Program administration and management
  - Application intake and review
  - Award decision
  - Monitoring for compliance

- MA Department of Revenue:
  - Administration of tax credits filed through MA individual tax return
2020 Round in Review

Portfolio statistics:

- 39 angel investors made $4.3M qualifying investment to 19 companies
- MLSC Angel Tax Credit $474K
- 10 investors received credits for investments located in a gateway city (Lowell and Worcester)
- Majority of investments are less than $25,000
2020 Round in Review

Qualifying Business Summary:

- Majority are in Greater Boston, Medical Device community
- Average Size: 5 FTE
- Nearly 50% are women/minority-led companies
Angel Investor Tax Credit: General Rules

- A taxpayer investor making a qualifying investment in a qualifying business may be allowed a credit up to an amount equal to 20% of the qualifying investment.

- If the qualifying business is located in a Gateway Municipality, the credit may be increased up to 30% of the amount of the taxpayer’s qualifying investment.

- The credit may be applied only against tax due under M.G.L. c. 62 (individual Massachusetts income tax return).

- Any amount of credit allowed that exceeds a taxpayer investor’s tax due for a taxable year under M.G.L. c. 62 may be carried forward to any of the three subsequent taxable years.

- M.G.L. c. 62, § 6(t) provides for recapture if the qualifying business ceases to have its principal place of business in the Commonwealth within the three taxable years following the taxable year of the investment.
Eligibility: Taxpayer Investor

• An accredited investor as defined by the SEC

• Investor must not:
  • Be the principal owner of the qualifying business; or
  • Work in the qualifying business as a full-time professional activity

• Taxpayer investors can only claim the tax credit after proof of eligibility from the MLSC has been obtained
  • Proof of eligibility evidenced by:
    • Letter evidencing accredited investor status from CPA or lawyer
    • Certificate of good standing issued by Department of Revenue

• Can be a non-resident of Massachusetts as long as they have Massachusetts sourced income subject to tax in the state
Eligibility: Qualifying Business

• Principal place of business is in Massachusetts

• Has at least 50% of its employees located in the business’ principal place of business

• Employs 20 or fewer full time employees at the time of the taxpayer investor’s initial qualifying investment in a business

• Has a federal tax identification number

• Has gross revenues equal to or less than $500,000 in the fiscal year prior to claiming eligibility

• Has a fully developed business plan that includes all appropriate long-term and short-term forecasts and contingencies of business operations, including research and development, profit, loss and cash flow projections and details of angel investor funding
Eligibility: Investment Criteria

• Monetary investment that is at risk and is not secured or guaranteed
• Investment must be made from January 1, 2021 – December 31, 2021
• Investments must be used to support purposes such as:
  • Capital Improvements
  • Plant Equipment
  • Research and Development
  • Working Capital
• Investment fund must come directly from angel investor’s own funds.
• Qualifying investments can be made by a pass-through entity, such as angel group

• Pass-Through entity must apply to be the eligible investor and the entity/group must satisfy the Taxpayer Investor eligibility criteria

• Credit is passed through to partners or members based on ownership, to be claimed on each of their Massachusetts individual tax return

• Investment funds shall not include funding from venture capital funds, hedge funds or commodity funds with institutional investors or investments from a business involved in retail, real estate, professional services, gaming or financial services.
A taxpayer investor may be allowed a credit in connection with up to $125,000 of qualifying investments per qualifying business per year; and

Up to $250,000 in cumulative qualifying investments for each qualifying business.

In any one taxable year, the total amount of all tax credits available to the taxpayer investor making qualified investments under 830 CMR 62.6.5(7) shall not exceed $50,000.

Example 1:

- Investor A made an investment in MedTech, Inc for $125,000.
- MedTech, Inc is a qualified business located in Boston.
- Investor A is eligible for 20% tax credit of $25,000 for MedTech, Inc.
- The following month, Investor A made an investment in Diagnostics, Inc. for $200,000, with its principal place of business in Cambridge.
- Investor A is eligible for 20% tax credit up to $25,000 for Diagnostics instead of $40,000 due to the annual $50,000 limitation.
Gateway Municipality (30% Credit)

• Investments in qualified businesses located in gateway municipalities qualify for a greater credit (30% of the qualifying investment)

• Current list of gateway municipalities:
  Atpleboro, Barnstable, Brockton, Chelsea, Chicopee, Everett, Fall River, Fitchburg, Haverhill, Holyoke, Lawrence, Leominster, Lowell, Lynn, Malden, Methuen, New Bedford, Peabody, Pittsfield, Quincy, Revere, Salem, Springfield, Taunton, Westfield, and Worcester.

Example 2:
• Investor A made an equity investment in MedTech, Inc for $125,000.
• MedTech, Inc is a qualified business located in Pittsfield.
• Investor A is eligible for 30% tax credit of $37,500 for MedTech, Inc.
• Reporting by Qualified Business:
  • each investment contribution received by the qualifying business including the name and address of the taxpayer investor making the contribution, or other claimant, if applicable, if the contribution is made by a pass-through entity, along with the dollar amount of each such contribution, and the date the contribution was made;
  • the location of the principal place of business; and
  • a list of the uses and dollar amounts to which any qualifying investment was applied or, alternatively, an attestation that no portion of any qualifying investment was used to pay dividends, fund or repay shareholders’ loans, redeem shares, and/or repay debt or pay wages or other benefits of the taxpayer investor.

• Reporting by Taxpayer Investor:
  • the amount of the credit claimed by the taxpayer on its return filed that year
  • Additional information requested by MLSC

• Duration: 3 years, following the investment
Recapture

- If a taxpayer investor is allowed a credit for an investment in a qualifying business that ceases to have its principal place of business in the Commonwealth within the three taxable years following the taxable year for which the credit was allowed, the taxpayer investor must repay the total credit amount to the Commonwealth.

- Where a taxpayer investor in such a business has unused credit that has been carried forward from a prior year, the taxpayer investor shall not claim any further credits and must repay to the Commonwealth the total amount of credits already claimed.

- A business will be treated as having ceased to have its principal place of business in the Commonwealth if its principal place of business moves out of the Commonwealth, or if it ceases to do business.
Award Process

• Apply through MLSC’s website: https://www.masslifesciences.com/programs/angel-investor-tax-credit/

• Two separate applications: investor application and company application

• Applications for 2021 investments are accepted on a rolling basis, with the following deadlines:
  • October 29, 2021 – Investments made during 1/1/2021 through 9/30/2021
  • January 14, 2022 – Investments made during 10/1/2021 through 12/31/2021

• Applications are reviewed on a first come first serve basis

• Investors and Companies will be “Conditionally Approved” pending final Board of Directors approval in February 2022

• Investors claim the tax credit on their 2021 MA tax return, due April 15, 2022
Documents Needed

• Sample applications are available under “Resources” on the Angel Tax Incentive webpage:
  • Sample Investor portion of the application
  • Sample Company portion of the application

• Investors need to upload the following:
  • Certificate of Good Standing from MA Department of Revenue
  • Certification letter from CPA or Attorney attesting eligibility criteria

• Businesses need to upload the following:
  • Business Plan
  • Financial Forecast
  • Certificate of Good Standing from MA Secretary of State
  • Certificate of Good Standing from MA Department of Revenue
  • Certification letter from CPA attesting eligibility regarding revenue threshold
Technical FAQ

Welcome to the MLSC Application System

New Users Register Below

- Investment Programs
- Tax Incentive Program
- Training Programs
  
  Applicant Registration
  Investor Registration

- Internship Programs
  
  Intern Registration
  Company Registration

Login

Email: 
Password: 

Forgot Password?

Please email smartsimple@masslifesciences.com for technical assistance.
Technical FAQ

2021 Angel Investor Tax Credit Program - Angel Investor Application

Angel Investor Application

Massachusetts Life Sciences Center (“MLSC”) is pleased to announce that it is offering up to $600,000 in Angel Investor Tax Credits for calendar year 2021.

The Angel Investor Tax Credit program is offered to investors interested in funding early-stage companies engaged in life sciences research and development, commercialization, or manufacturing in Massachusetts. The program provides a taxpayer investor a credit of 20% of the qualifying investment, or 33% if the business is located in a gateway municipality in a business that has no more than $500,000 in gross revenue in the year prior to eligibility. Credits are available up to $500,000 in any one taxable year for qualifying investments of up to $125,000 per qualifying business per year and up to $500,000 in cumulative qualifying investments for each qualifying business.

To demonstrate eligibility for the credit, a taxpayer investor must provide the MLSC with the following:

- Proof of Qualifying Investment: A taxpayer investor must provide the MLSC with the executed legal instruments of the investment for verification by the MLSC that the investment meets the requirements of a qualifying investment.
- Evidence of accredited investor status by providing a letter from the taxpayer investor’s certified professional accountant or lawyer that makes the representation that such professional has taken reasonable steps to verify the taxpayer investor’s net income or net worth and any other requirements as defined by the United States Securities and Exchange Commission to establish accredited investor status, pursuant to 17 USC § 230.31(a).
- A Statement of Good Standing for the taxpayer investor, issued by the DOR within the previous six (6) months.

Deadlines

Please note that while there are two deadlines, the program will remain open for the second deadline only if the funding cap has not been reached. Applications are accepted on a rolling basis and would be considered complete once both the investor and the company has each completed their portion of the application. If there are multiple investors in the same company, the company only has to submit one application for the current round of the program.

2. Deadline of January 14, 2022 at Noon EST for submission of applications for qualifying investments made during the period October 1, 2021 to December 31, 2021.

If you have any questions concerning the Angel Investor Tax Credit program, please e-mail angelinvestors@masslifesciences.com.

2021 Angel Investor Tax Credit Program - Qualified Company Application

Qualified Company Application

Massachusetts Life Sciences Center (“MLSC”) is pleased to announce that it is offering up to $500,000 in Angel Investor Tax credits for calendar year 2021.

The Angel Investor Tax Credit program is offered to investors interested in funding early-stage companies engaged in life sciences research and development, commercialization, and manufacturing in Massachusetts. The program provides a taxpayer investor a credit of 20% of the qualifying investment, or 33% if the business is located in a gateway municipality in a business that has no more than $500,000 in gross revenue in the year prior to eligibility. Credits are available up to $500,000 in any one taxable year for qualifying investments of up to $125,000 per qualifying business per year and up to $500,000 in cumulative qualifying investments for each qualifying business.

To demonstrate that a business is a qualifying business, the business must provide the MLSC with the following:

- A certification, in a form and substance acceptable to the MLSC, executed by the Chief Executive Officer or other authorized representative of the business, that attests to the location of the principal place of business, the number of full-time equivalent employees (35 hours or more per week) (“FTEs”) working for the business, and the percentage of FTEs who work at the principal place of business.
- A fully developed business plan that includes long-term and short-term forecasts and contingencies of business operations, including research and development, profit, loss and cash-flow projections and details of angel investor funding.
- A federal tax identification number.
- A letter from the business’s certified professional accountant that makes the representation that the business has gross revenue equal to or less than $500,000 in the fiscal year prior to application;
2021 Angel Investor Tax Credit Program - Qualified Company Application

Qualified Company Application

Massachusetts Life Sciences Center (MLSC) is pleased to announce that it is offering up to $500,000 in Angel Investor Tax credits for calendar year 2021.

The Angel Investor Tax Credit program offers to investors interested in funding early-stage companies engaged in life sciences research and development, commercialization, and manufacturing in Massachusetts. The program provides a taxpayer investor a credit of 25% of the qualifying investment, or 35% if the business is located in a gateway municipality, or a business that has no more than $500,000 in gross revenue in the year prior to eligibility. Credits are available to up to $75,000 per qualifying investment per year and up to $200,000 in cumulative qualifying investments per investor per year.

To demonstrate that a business is a qualifying business, the business must provide the MLSC with the following:

1. A certificate of good standing, issued by the Secretary of the Commonwealth, or a letter from the business certified professional accountant that makes the representation that the business has gross revenue equal to or less than $500,000 in the fiscal year prior to application;
2. A Certificate of Good Standing, issued by the Massachusetts Secretary of the Commonwealth within the previous six (6) months;
3. A Certificate of Good Standing, issued by the IRS within the previous six (6) months.

Deadlines

Please note that while there are two deadlines, the program will remain open for the second deadline only if the funding gap has not been met. Applications are accepted on a rolling basis and will be considered complete once both the investor and the company has completed their portion of the application. If there are multiple investors in the same company, the company only has to submit one application for the current round of the program.

2. Deadline of January 14, 2022 at Noon EST for submission of applications for qualifying investments made during the period October 1, 2021 to December 31, 2021.

Should you have any technical difficulties completing this application, please e-mail AngelInvestorTaxCredit@masslifesciences.com.

My Applications

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Technical FAQ

ATIC2021-00012021-31677

Download ATIC Application PDF
Download Investor Application PDF

ADMINISTRATIVE INVESTOR INFORMATION INVESTOR UPLOADS PUBLIC DISCLOSURE INVESTOR SIGNATURE

* Public Disclosure

Importance Notice to Applicants

If an applicant is awarded an Angel Investor Tax Credit, the awardee is subject to public disclosure, including but not limited to being listed as an Angel Investor in the MLSC Annual Report and other published information relative to the Angel Investor Tax Credit program.

The MLSC is subject to the requirements concerning disclosure of public records under the Massachusetts Public Records Act, M.G.L. c. 66 (Public Records Act), which governs the retention, disposition and archiving of public records. For purposes of the Public Records Act, "public records" include all books, papers, maps, photographs, recorded tapes, financial statements, statistical tabulations, or other documentary materials or data, regardless of physical form or characteristics, made or received by the MLSC. As a result, any information submitted to the MLSC by an applicant and/or awardee is subject to public disclosure as set forth in the Public Records Act.

The foregoing notwithstanding, "public records" do not include certain materials or data which fall within a specifically enumerated exemption set forth in the MLSC's enabling act, M.G.L. Chapter 231. Such exemption that may be applicable to documents submitted by an applicant and/or awardee is for any documentary materials or data made or received by the MLSC that consists of trade secrets or commercial or financial information regarding the operation of any business conducted by the applicant and/or awardee, or regarding the competitive position of such applicant and/or awardee in a particular field of endeavor (Trade Secrets Exemption). In the event that an applicant and/or awardee wishes to submit certain documents to the MLSC and believes such a document or documents may be proprietary in nature and may fall within the parameters of the Trade Secrets Exemption, the applicant and/or awardee should identify such materials in its application as Confidential.

* Proprietary

Please indicate whether your responses to this application are proprietary in nature as applicable to the MA Public Records Law.

Yes

Save Draft Delete

NEXT
Contact Information

Angel Tax Incentive Program:
Website: [www.masslifesciences.com](http://www.masslifesciences.com)
Email: AngelTax@masslifesciences.com
Thank you!

Angel Investor Tax Credit Program