



The Illinois Angel Investment Tax Credit Program encourages investment in innovative, early-stage companies to help them obtain the working capital needed to further their growth in Illinois. Investors in certified companies can receive a state tax credit equal to 25% of their investment (up to \$2 million).



**A total of \$10 million in tax credit certificates are available each year!**

## Definitions

1. **Act** means the Illinois Income Tax Act [35 ILCS 5].
2. **Investment** means money (or its equivalent) given to a qualified new business venture, at a risk of loss, in consideration for an equity interest of the qualified new business venture. [35 ILCS 5/220(a)]. For the purposes of this definition, an investment is at risk of loss if its repayment depends entirely upon the success of the business operations of the qualified new business venture. A contingent equity investment is an angel investment.
3. **Applicant** means a corporation, partnership, limited liability company, or a natural person that makes an investment in a qualified new business venture. The term "applicant" does not include (i) a corporation, partnership, limited liability company, or a natural person who has a direct or indirect ownership interest of at least 51% in the profits, capital, or value of the qualified new business venture receiving the investment or (ii) a related member. [35 ILCS 5/220(a)]
4. **Claimant** means an applicant certified by the Department who files a claim for a credit under Section 531.50. [35 ILCS 5/220(a)]
5. **Contingent equity investment** means money (or its equivalent) given to a qualified new business venture in consideration for a future equity interest that matures or converts to equity within three years of the investment. If the agreement governing investment does not provide for mandatory and unconditional conversion within three years of the investment, the investment will not be considered a contingent equity investment. Contingent equity investments that have features of a debt instrument may be ineligible for a tax credit if the agreement contains unreasonable risk mitigation provisions, as determined by the Department.
6. **Department** means the Illinois Department of Commerce and Economic Opportunity. [35 ILCS 5/220(a)]
7. **Employee** means an individual who is a full-time employee and who is employed for consideration for at least 35 hours each week or who renders any other standard of service generally accepted by industry custom or practice as full-time employment. Annually scheduled periods for inventory or repairs, vacations, holidays and paid time for sick leave, vacation or other leave is included in this computation of full-time employment. An individual for whom a W-2 is issued by a Professional Employer Organization (PEO) is a full-time employee if employed in the service of the Applicant for consideration for at least 35 hours each week or who renders any other standard of service generally accepted by industry custom or practice as full-time employment to the Applicant. For example, an employee who works 25 hours per week is considered the industry standard for full-time in the package delivery industry and an employee who is employed for a least 35 hours per week during the historical seasonal production is considered the industry standard for full-time in the candy manufacturing industry.

8. **Full-time equivalent job** means the number of hours worked by multiple employees to equal the number of hours worked by one full-time employee. For purposes of this definition, full-time employee means a person who works a minimum of 35 hours per week for a minimum of 13 consecutive weeks to be counted toward full-time equivalency.
9. **Innovative business (QNBV)** means a company interested in becoming certified as a qualified new business venture must be principally engaged in innovation in any of the following ways:
  - a. It is principally engaged in innovation in any of the following: manufacturing; biotechnology; nanotechnology; communications; agricultural sciences; clean energy creation or storage technology; processing or assembling products, including medical devices, pharmaceuticals, computer software, computer hardware, semiconductors, other innovative technology products, or other products that are produced using manufacturing methods that are enabled by applying proprietary technology; or providing services that are enabled by applying proprietary technology; or
  - b. It is undertaking pre-commercialization activity related to proprietary technology that includes conducting research, developing a new product or business process, or developing a service that is principally reliant on applying proprietary technology; and
  - c. The company cannot be principally engaged in real estate development; insurance; banking; lending; lobbying; political consulting; professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants; wholesale or retail trade; leisure; hospitality; transportation; or construction, except construction of power production plants that derive energy from a renewable energy resource, as defined in Section 1 of the Illinois Power Agency Act [20 ILCS 3855].
10. **Liquidity event** means any event that would be considered an exit for an illiquid investment, including any event that allows the equity holders of the business (or any material portion thereof) to cash out some or all of their respective equity interests. [35 ILCS 5/220(i)(3)]
11. **Minimum employment threshold** means at least 75% of the employee positions created in the qualified new business venture are in Illinois until at least three years following the date of any issuance of an Angel Investment Credit tax credit certificate with respect to such qualified new business venture.
12. **Qualified new business venture** means a business that is registered with the Department under Section 531.60. [35 ILCS 5/220(a)]
13. **Qualifying liquidity event** means a liquidity event in which the claimant does not convey an equity interest to the qualified new business venture or a related member of the qualified new business venture.
14. **Related member** means a person that, with respect to the term investment “applicant”, is any one of the following:
  - a. An individual, if the individual and the members of the individual's family (as defined in section 318 of the Internal Revenue Code (26 USC 318)) own directly, indirectly, beneficially, or constructively, in the aggregate, at least 50% of the value of the outstanding profits, capital, stock, or other ownership interest in the recipient of the applicant's investment.
  - b. A partnership, estate or trust and any partner or beneficiary, if the partnership, estate or trust and its partners or beneficiaries own directly, indirectly, beneficially, or constructively, in the aggregate, at least 50% of the profits, capital, stock or other ownership interest in the recipient of the applicant's investment.

- c. A corporation and any party related to the corporation in a manner that would require an attribution of stock from the corporation under the attribution rules of section 318 of the Internal Revenue Code (26 USC 318), if the applicant and any other related member own, in the aggregate, directly, indirectly, beneficially, or constructively, at least 50% of the value of the corporation's outstanding stock of the recipient of the applicant's investment.
- d. A corporation and any party related to that corporation in a manner that would require an attribution of stock from the corporation to the party or from the party to the corporation under the attribution rules of section 318 of the Internal Revenue Code if the corporation and all such related parties own, in the aggregate, at least 50% of the profits, capital, stock, or other ownership interest in the recipient of the applicant's investment.
- e. A person to or from whom there is attribution of stock ownership of the stock of the recipient of the applicant's investment in accordance with section 1563(e) of the Internal Revenue Code (26 USC 1563(e)), except that, for purposes of determining whether a person is a related member under this paragraph, "20%" shall be substituted for "5%" whenever "5%" appears in section 1563(e) of the Internal Revenue Code. [35 ILCS 5/220(a)]

15. **Unreasonable risk mitigation provisions** means investment terms that remove a significant degree of the risk of loss, as determined by the Department, during the three years following the investment, such as provisions for interest payments, security, and priority in the event of liquidation.