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Angel tax credits finally in place

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In another step toward accessing the capital that can fuel high-growth start-up companies, state entrepreneurs can begin registering with the Secretary of State to let their investors claim a 35 percent tax credit on their investments. The credits are part of a bill that was passed earlier at the end of the legislative session, and its goal is to grow the state's knowledge economy.

This is an initiative that was debated for several years, and is past due in South Carolina given the importance of start-up businesses in creating a vibrant economy. Other states that have done this have seen significant increases in the investment made in high-growth start-up companies. It is about time that South Carolina taps into the greater sums of money that are sitting on the sidelines in this state.

The first step is for entrepreneurs to register their start-ups as "high-growth small businesses." That will open the tax credits to investors that meet Securities and Exchange Commission regulations for income level and asset value. In 2010, there were about 115,000 households in the state that would have qualified for the credit, but less than half a percent of them were investing in businesses.

To qualify as high-growth small businesses, companies must be less than five years old, have fewer than 25 employees, annual revenues of less than \$2 million and the potential to grow quickly. The companies will be involved in manufacturing processing, warehousing, wholesaling, technology and some other related fields.

In an op-ed that appeared in June in *The Greenville News*, state Rep. Dwight Loftis and Wayne Roper of the South Carolina Biotechnology Industry Organization, said the law could triple the number of "angel investors" in South Carolina, and inject \$57 million in private capital into high-tech, high-growth businesses. In Minnesota, a 2010 investment tax credit drew \$63 million in investment and distributed \$15.8 million tax credits. In Wisconsin, a similar law quadrupled the number of angel investors and attracted \$141.5 million in private investment after three years. About half the states have similar laws, including our neighbors Georgia and North Carolina, both of which are ahead of us in attracting angel investors and venture capital funds.

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