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Angel Investor Bill goes to Governor

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South Carolina Startups get help growing great jobs

General Assembly sends to governor
measure to increase investment in state innovation businesses

NEWS

FOR IMMEDIATE RELEASE

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The hard job of starting a business and growing great jobs would be a little easier under a measure passed by the General Assembly that gives incentive to investors in South Carolina innovation businesses, said Tom McLean, chairman of the South Carolina Biotechnology Industry Organization (SCBIO) Thursday.

"The General Assembly has helped small businesses be competitive with neighboring states in attracting private investment off the sidelines and into the South Carolina economy," said McLean, who leads the business association that represents innovators and manufacturers of medicines, pharmaceuticals, medical devices and medical equipment.

"This will not cost the state a penny. In every state where this is enacted, it brings more revenue to the state and attracts further investment and grows jobs," McLean said.

The measure passed by the General Assembly last week to be sent to the governor gives private investors into qualified high technology and innovation-based startups a 35% tax credit.

The credits would have to be repaid, if the startup eventually creates a gain.

Roughly 26 states have a similar credit where the measure generates four to 10 times the amount of the credit in additional investment.

"This is critical to fueling the innovators and entrepreneurs who are working tirelessly to grow their businesses. Without early stage investors they will never get a chance in South Carolina," said Wayne Roper, President of SCBIO.

"And Growing these businesses gives the opportunity to keep the best and brightest of our graduates here in the state."

The bill would not have passed without the support and persistent work of the bill sponsors: Senate Finance Chairman Sen. Hugh Leatherman, R-Florence and Rep. Dwight Loftis, R-Greenville, Roper said.

The measure is not industry or sector specific and enjoyed broad support from business and chamber groups.

They include: Greenville NEXT and the Upstate Chamber Coalition and the Chambers of Commerce of Greenville, Columbia and Charleston and the State Chamber of Commerce, along with the Upstate Carolinas Angel Network, and Charleston Angel Partnership.

"This is ultimately about entrepreneurs – helping them find access to extremely scarce capital so they can build successful businesses," said Mark Cothran, Vice President of Public Policy for the Upstate Chamber Coalition.

"Our state legislature took a huge step in leveling the playing field. We look forward to continuing to work with our elected officials to ensure we create a highly competitive entrepreneurial ecosystem in South Carolina."

South Carolina ranks near the top in starting new businesses but near the bottom in access to capital to fund them. High-growth startups are responsible for two-thirds of new net job creation, according to the Kauffman Foundation.

Drawing private funding from the state's potential 100,000 investors could generate \$57 million in private funding for new innovation businesses.

The investors would have to register with the state and are often called "angel investors" because such investment in innovation is high risk and no other source of financing is available.

"Without angel capital, we would still be like many good ideas: still on paper on a shelf," said Steve Johnson, CEO of CreatiVasc of Greenville. "Angel funding provided the critical infusion that has taken CreatiVasc to where it is today: one of three companies selected by the FDA to fast track as a medical breakthrough."

Innovation-based businesses that succeed tend to grow faster and pay higher wages than the economy as a whole. Life Science-based businesses pay 84% higher than the state average.

In Wisconsin, a similar credit in 2005 has caused the number of investment groups to jump from five to 23 and attracted more than \$141.5 million in private investment after three years. By 2011, direct investment had ballooned to \$61 million.

In Minnesota, a 2010 investment tax credit drew \$63 million in additional investment, far more than the \$15.8 million in tax credits.

The measure provides for:

~ A state income tax credit of 35% of investments in qualified startups that can be transferred and carried forward 10 years.

~An annual cap of \$100,000 per investor and \$5 million total in the state.

~Qualified innovation businesses to have been organized within the last 5 years; have fewer than 25 employees and annual revenues of less than \$2 million.

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