

Delaware Investors & Small Businesses Welcome Angel Investor Tax Credits

INVESTMENT IS INHERENTLY RISKY and business loans are not available to scientific and high-tech startups that are pre-revenue. In the early stages, these companies are dedicated to intellectual property development to secure their market positions, which requires expensive research & development. To ensure innovative ideas are fostered, nearly 30 states across the country leverage their tax codes to incentivize private sector investment in scientific or high-tech small business.

Angel Investor Tax Credits are dubbed so because angels invest their own money in entrepreneurial endeavors. Our neighbors New Jersey, Maryland, New York, Connecticut, and Virginia all offer Angel Investor Tax Credits, but Delaware was missing out because without this incentive, it's more attractive for Entrepreneurs to start a business in other states.

The Delaware BioScience Association (Delaware Bio) witnessed the crucial need to attract capital for startups and began advocating for this statute in 2015. Delaware Bio was heavily involved in the policymaking and advocacy process for nearly three years, culminating on May 24, 2018, as Governor Carney signed the Angel Investor Job Creation and Innovation Act (HB 170).

What Are Angel Investor Tax Credits?

The bill provides 25% in tax credit, up to \$125,000, to each angel investor who invests over \$10,000 in a qualified Delaware company. Investors need not be Delaware residents. Eligible businesses have fewer than 25 employees and engage in innovation in fields such as renewable energy, food technology, cellulosic ethanol, materials science technology, nanotechnology, biotechnology, medical device products, pharmaceuticals, diagnostics, biologicals, and chemistry.

Champions of Innovation

Representative Michael Ramone was a champion of the policy from the beginning, working with Delaware Bio and its member companies to ensure the legislation was crafted for maximum positive impact on Delaware's innovation ecosystem. Ruby Harrington of Delaware Bio researched the relative merits of policies across the country, and Delaware's Department of Finance collaborated with program administrators in Minnesota, who gladly shared best practices. "As a prime sponsor of the Angel Investor Act, I know that by enacting this legislation we are taking a significant step in helping to strengthen Delaware's economic development climate," said Rep. Ramone. His bill included significant bipartisan support, especially from Representative Bryon Short and the Governor of Delaware himself.



Leveraging Economic Development Tools

This policy adds to Delaware's impressive portfolio that supports innovative companies. Our state R&D tax credit is incredibly robust, as it's refundable and limitless – just one of three nationwide and the only one on the East Coast! 25 census tracts across the state are now Opportunity Zones, offering federal tax incentives to business investors. Opportunity Zones include UD's STAR Campus and industrial sites in need of restoration along the Delaware River. These benefits make Delaware a first-class location to start and grow biotech companies, thereby supporting Delaware Bio members and abetting the Delaware Prosperity Partnership to attract new and relocating business.

As a trade association, we look forward to working with the State to ensure Angel Investor Tax Credits are leveraged to their full potential. It's an exciting time to capitalize these business growth opportunities and support the scientific pioneers at Delaware Technology Park, DTP@STAR, and Delaware Innovation Space. ■



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