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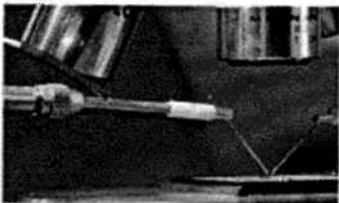


# Small Business Investment Tax Credit Proposed Legislation



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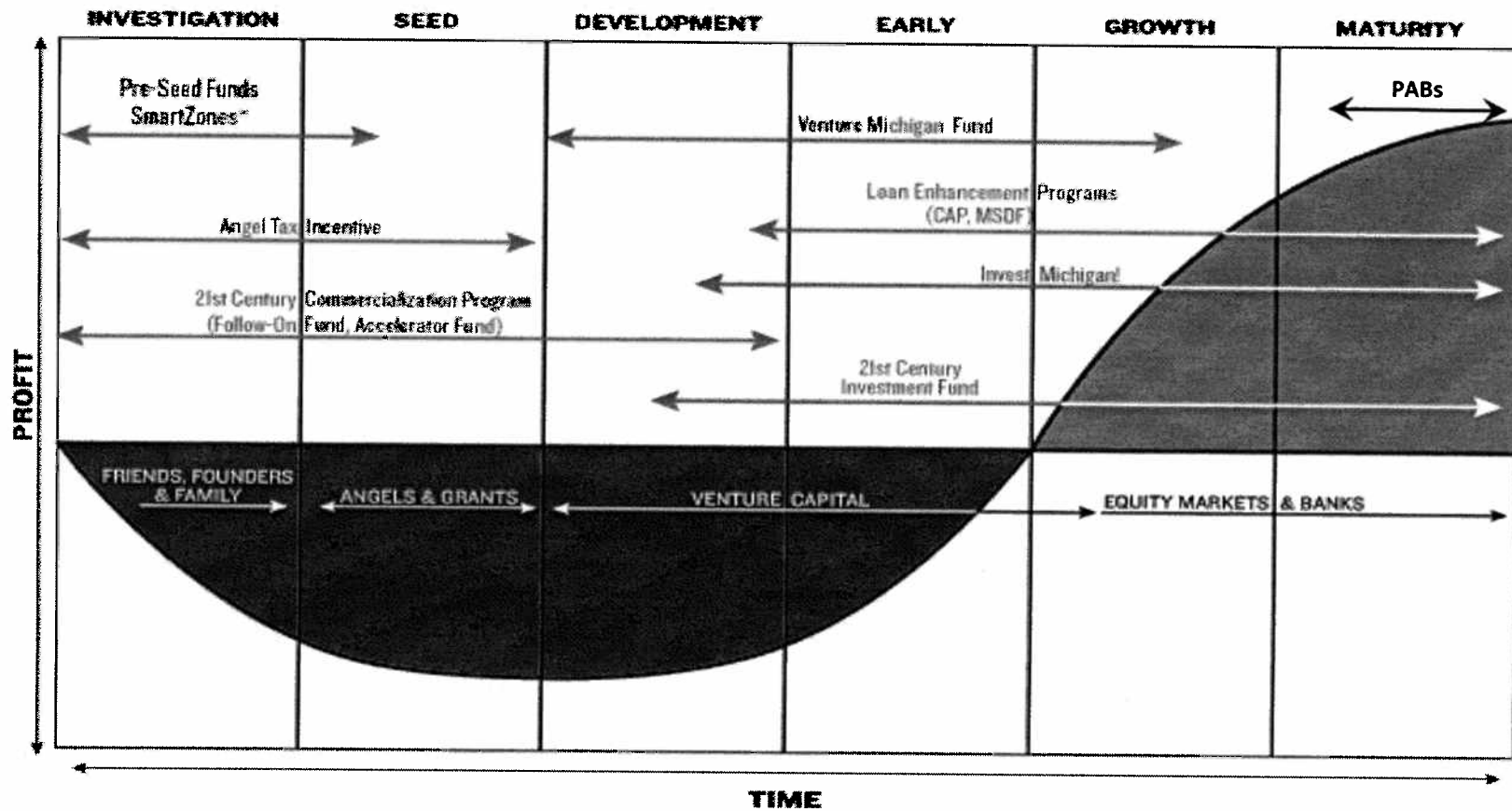
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# Landscape of Existing Programs



# The Gap: Early Stage Investments

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- It is widely observed in academic and industry research that a monumental gap exists for companies seeking seed and early stage investment.
- Estimated annual demand for early stage funding in MI is over **\$900 million** (as of Dec, 2008)
- Estimated supply of *early stage capital* in MI available for investment is approximately **\$240 million** (as of 2008, based on estimate of the existing pool of early stage investors)
  - Pennsylvania supply = \$911 million (estimate)
  - Ohio = \$366 million (estimate)
  - California = \$8.1 billion (estimate)

# Michigan Falling Behind

## VC Deals by State

\* In Q4 2009, seed/early stage investments made up only 7.7% of total VC investments nationally



# Leverage Michigan's Wealth

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- Michigan is ranked in the top quartile of states in terms of the number of millionaires per capita
- Oakland County is still among the richest counties in the nation
- Yet MI is ranked near the bottom among states in seed/early stage investment
- In short, MI has untapped resources and we need to wake them up

# Proposed Small Business Investment Tax Credit

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- Eligibility: Investments must be made through or alongside an Angel Group or Venture Capital Firm
- Tax Credit Amount: 25% of investment in a certified early stage company on MI tax liability
  - Credit must be taken over 2 years, 50% each year
  - Unused credit can be rolled over for up to 15 years
- Maximum Credit per Investor per year: \$500,000
- Maximum Qualified Investment per Qualified Business: \$1 million
- Maximum Annual Allocation: \$10 million per calendar year

# Recommendation

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- Approval of the Small Business Investment Tax Credit (“SBITC”) will provide an instant boost to early stage companies in MI, making the state competitive on a national scale.
- The SBITC will comprise one of the most aggressive investment incentives in the nation.
- There is widespread, unanimous support from the Angel and VC community. They have dubbed this proposal a “game changer” for MI.
- This strategic deployment of state dollars will have a disproportionate impact on Michigan’s economic future, spurring a minimum of \$40 million of private sector investment in small fast growing companies.