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New York State High-Risk Start-Up Angel Investor Tax Credit Program – Policy Outline

1. Purpose

- Stimulate private investment in early-stage, high-risk small businesses across all industries in New York State.
- Support job creation, innovation, and economic diversification in both urban and rural communities.
- Bridge the funding gap for businesses that face challenges accessing traditional financing.

2. Legal Authority

- Established under New York State Tax Law – High-Risk Start-Up Investment Incentive Act.
- Administered by Empire State Development (ESD) in coordination with the Department of Taxation and Finance.

3. Program Structure

3.1 Qualified Investor

- Must be an individual, trust, or pass-through entity paying New York State income tax.
- Cannot be a founder, controlling shareholder, or immediate family member of the business receiving investment.
- Must invest in cash (no in-kind contributions).

3.2 Qualified Small Business

- Registered and headquartered in New York State.
- At least 75% of operations located in New York.
- Fewer than 50 full-time employees.
- In operation for 5 years or less.
- Open to any industry (manufacturing, retail, hospitality, agriculture, tech, services, etc.) but must demonstrate high-risk/high-growth potential.
- Annual gross revenues under $5 million.
- Not publicly traded.

4. Credit Amount & Limits

- 50% of the qualified investment amount.
- Maximum credit per investor per year: $500,000.
- Maximum credit per business per year: $2 million.
- Annual statewide program cap: $50 million.
- Unused credits may be carried forward for up to 5 years.
- Credits may be transferable to other New York taxpayers with ESD approval.

5. Application Process

5.1 Pre-Approval

- Investor and business jointly submit an application to ESD before investment is made.
- Required documentation:
- Business plan and growth strategy.
- Proof of New York State incorporation and location.
- Employment and payroll data.
- Risk and growth potential assessment.

5.2 Post-Investment Verification

- Investor submits proof of investment within 60 days of funding.
- Business certifies intended use of funds for approved purposes.
- ESD issues tax credit certificate to investor.

6. Approved Use of Funds

- Hiring and workforce training.
- Purchase of equipment, inventory, or technology.
- Facility improvements or expansion.
- Marketing and market entry activities.
- Research, product development, or service innovation.

7. Compliance & Reporting

7.1 Business Obligations

- Submit annual report to ESD detailing:
- Jobs created and retained.
- Revenue growth and milestones achieved.

- Use of investment funds.
- Maintain eligibility status for at least 3 years after receiving investment.

7.2 Investor Obligations

- Maintain investment for a minimum holding period (e.g., 3 years) unless otherwise approved.

8. Enforcement & Penalties

- Non-compliance may result in:
- Recapture of tax credits from investors.
- Removal from program eligibility for future investments.
- Public disclosure of non-compliance in ESD reports.

9. Program Evaluation

- ESD to publish an annual impact report including:
- Number and value of investments.
- Jobs created and retained.
- Sectoral and geographic distribution of investments.
- Case studies of successful businesses.

10. Sunset & Renewal

- Program authorized for an initial 7-year term.
- Renewal subject to legislative review and demonstrated economic impact.