

1 TITLE 14: COMMERCE
2 SUBTITLE C: ECONOMIC DEVELOPMENT
3 CHAPTER I: DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
4

5 PART 531
6 ANGEL INVESTMENT CREDIT PROGRAM
7

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19
20 AUTHORITY: Implementing and authorized by Section 220 of the Illinois Income Tax Act [35
21 ILCS 5].
22

23 SOURCE: Emergency rule adopted at 35 Ill. Reg. 535, effective December 27, 2010; emergency
24 expired May 25, 2011; adopted at 35 Ill. Reg. 8999, effective June 1, 2011; amended at 42 Ill.
25 Reg. 16493, effective August 21, 2018; amended at 48 Ill. Reg. _____, effective
26 _____.
27

28 **Section 531.20 Definitions**
29

30 The following definitions are applicable to the Angel Investment Credit Program.
31

32 "Act" means the Illinois Income Tax Act [35 ILCS 5].
33

34 "*Applicant*" means a corporation, partnership, limited liability company, or a
35 natural person that makes an investment in a qualified new business venture that
36 applies to the Angel Investment Tax Credit. The term "*applicant*" does not
37 include a corporation, partnership, limited liability company, or a natural person
38 who has a direct or indirect ownership interest of at least 51% in the profits,
39 capital, or value of the qualified new business venture receiving the investment or
40 a related member. [35 ILCS 5/220(a)]
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42 "*Claimant*" means an applicant certified by the Department who files a claim for
43 a credit under Section 531.50. [35 ILCS 5/220(a)]

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"Contingent equity investment" means money (or its equivalent) given to a qualified new business venture in consideration for a future equity interest that matures or converts to equity within three years after the investment. If the agreement governing investment does not provide for mandatory and unconditional conversion within three years after the investment, the investment will not be considered a contingent equity investment. Contingent equity investments that have features of a debt instrument may be ineligible for a tax credit if the agreement contains unreasonable risk mitigation provisions, as determined by the Department.

"Department" means the Illinois Department of Commerce and Economic Opportunity. [35 ILCS 5/220(a)]

"Employee" means an individual who is employed for consideration for at least 35 hours each week or who renders any other standard of service generally accepted by industry custom or practice as full-time employment. Annually scheduled periods for inventory or repairs, vacations, holidays and paid time for sick leave, vacation or other leave is included in this computation of full-time employment. An individual for whom a W-2 is issued by a Professional Employer Organization (PEO) is a full-time employee if employed in the service of the applicant for consideration for at least 35 hours each week or who renders to the applicant any other standard of service generally accepted by industry custom or practice as full-time employment. For example, an employee who works 25 hours per week meets the industry standard for full-time in the package delivery industry, and an employee who is employed for a least 35 hours per week during the historical seasonal production meets the industry standard for full-time in the candy manufacturing industry.

"Full-time equivalent job" means the number of hours worked by multiple employees to equal the number of hours worked by one full-time employee. For purposes of this definition, full-time employee means a person who works a minimum of 35 hours per week for a minimum of 13 consecutive weeks to be counted toward full-time equivalency.

"Investment" means *money (or its equivalent) given to a qualified new business venture, at a risk of loss, in consideration for an equity interest of the qualified new business venture. [35 ILCS 5/220(a)]* For the purposes of this definition, an investment is at risk of loss if its repayment depends entirely upon the success of the business operations of the qualified new business venture. A contingent equity investment is an investment.

86 *"Liquidity event" means any event that would be considered an exit for an illiquid*
87 *investment, including any event that allows the equity holders of the business (or*
88 *any material portion of the business) to cash out some or all of their respective*
89 *equity interests. [35 ILCS 5/220(i)(3)]*

90
91 "Minimum employment threshold" means:

92
93 at least 51% of the business' employee positions are in Illinois; ~~or~~ and

94
95 the principal place of business is ~~at least 75% of the business' employee~~
96 ~~positions created following receipt of the investment are located~~ in
97 Illinois.

98
99 "Principal place of business" means the place where the business' high-level
100 officers direct, control, and coordinate the business' activities.

101
102 "*Qualified new business venture" means a business that is registered with the*
103 *Department under Section 531.60. [35 ILCS 5/220(a)]*

104
105 "*Qualifying liquidity event" means a liquidity event in which the claimant does*
106 *not convey an equity interest to the qualified new business venture or a related*
107 *member of the qualified new business venture.*

108
109 "*Related member" means a person that, with respect to the term "applicant", is*
110 *any one of the following:*

111
112 *An individual, if the individual and the members of the individual's family*
113 *(as defined in section 318 of the Internal Revenue Code (26 ~~U.S.C.~~ USC*
114 *318)) own directly, indirectly, beneficially, or constructively, in the*
115 *aggregate, at least 50% of the value of the outstanding profits, capital,*
116 *stock, or other ownership interest in the recipient of the applicant's*
117 *investment.*

118
119 *A partnership, estate or trust and any partner or beneficiary, if the*
120 *partnership, estate or trust and its partners or beneficiaries own directly,*
121 *indirectly, beneficially, or constructively, in the aggregate, at least 50% of*
122 *the profits, capital, stock or other ownership interest in the recipient of the*
123 *applicant's investment.*

124
125 *A corporation and any party related to the corporation in a manner that*
126 *would require an attribution of stock from the corporation under the*
127 *attribution rules of section 318 of the Internal Revenue Code (26*
128 *U.S.C. ~~USC~~ 318), if the applicant and any other related member own, in*

129 *the aggregate, directly, indirectly, beneficially, or constructively, at least*
130 *50% of the value of the outstanding stock of the recipient of the applicant's*
131 *investment.*

132
133 *A corporation and any party related to that corporation in a manner that*
134 *would require an attribution of stock from the corporation to the party or*
135 *from the party to the corporation under the attribution rules of section 318*
136 *of the Internal Revenue Code if the corporation and all such related*
137 *parties own, in the aggregate, at least 50% of the profits, capital, stock, or*
138 *other ownership interest in the recipient of the applicant's investment.*

139
140 *A person to or from whom there is attribution of ownership of the stock of*
141 *the recipient of the applicant's investment in accordance with section*
142 *1563(e) of the Internal Revenue Code (26 U.S.C. ~~USE~~ 1563(e)), except*
143 *that, for purposes of determining whether a person is a related member*
144 *under this paragraph, "20%" shall be substituted for "5%" whenever*
145 *"5%" appears in section 1563(e) of the Internal Revenue Code. [35 ILCS*
146 *5/220(a)]*

147
148 "Unreasonable risk mitigation provisions" means investment terms that
149 remove a significant degree of the risk of loss, as determined by the
150 Department, during the three years following the investment. Examples of
151 these provisions include provisions for interest payments, security, and
152 priority in the event of liquidation.

153
154 (Source: Amended at 48 Ill. Reg. _____, effective _____)

155
156 **Section 531.30 Tax Credit Directives**

157
158 a) *For taxable years beginning after December 31, 2010 and ending on or before*
159 *December 31, ~~2026~~2021, subject to the limitations provided in the Act, a claimant*
160 *may claim, as a credit against the tax imposed under Section 201(a) and (b) of the*
161 *Act, an amount equal to 25% of the claimant's investment made directly in a*
162 *qualified new business venture. However, effective January 1, 2024, the amount*
163 *of the credit is 35% of the claimant's investment made directly in the qualified*
164 *new business venture if the investment is made in:*

165
166 1) a qualified new business venture that is:

167
168 A) a minority-owned business, defined as, a business which is at least
169 51% owned by one or more minority persons, or in the case of a
170 corporation, at least 51% of the stock in which is owned by one or
171 more minority persons or in the case of a corporation, at least 51%

172 of the stock in which is owned by one or more minority persons;
173 and the management and daily business operations of which are
174 controlled by one or more of the minority individuals who own it
175 [30 ILCS 575(2)(30)];
176

177 B) a women-owned business, defined as, a business which is at least
178 51% owned by one or more women, or, in the case of a
179 corporation, at least 51% of the stock in which is owned by one or
180 more women; and the management and daily business operations
181 of which are controlled by one or more of the women who own it
182 [30 ILCS 575(2)(4)]; or
183

184 C) a business owned by a person with a disability, defined as, a
185 business that is at least 51% owned by one or more persons with a
186 disability and the management and daily business operations of
187 which are controlled by one or more persons with disabilities that
188 is exempt from taxation under Section 501 of the Internal Revenue
189 Code of 1986 is also considered a "business owned by a person
190 with a disability" [30 ILCS 575 (2)(5)]; or
191

192 2) a qualified new business venture in which the principal place of business
193 is located in a county with population of not more than 250,000. [35 ILCS
194 5/220(b)]
195

196 b) *The credit under this Section may not exceed the taxpayer's Illinois income tax*
197 *liability for the taxable year. If the amount of the credit exceeds the tax liability*
198 *for the year, the excess may be carried forward and applied to the tax liability of*
199 *the 5 taxable years following the excess credit year. The credit shall be applied to*
200 *the earliest year for which there is a tax liability. If there are credits from more*
201 *than one tax year that are available to offset a liability, the earlier credit shall be*
202 *applied first. In the case of a partnership or subchapter S corporation, the credit*
203 *is allowed to the partners or shareholders in accordance with the determination*
204 *of income and distributive share of income under sections 702 and 704 and*
205 *subchapter S of the Internal Revenue Code (26 U.S.C. ~~USC~~ 702, 704 and*
206 *subchapter S). [35 ILCS 5/220(b)]*
207

208 cb) *The minimum amount an applicant must invest in any single qualified new*
209 *business venture in order to be eligible for a credit under the Act is \$10,000. The*
210 *maximum amount of an applicant's total investment in any single qualified new*
211 *business venture that may be used as the basis for a credit under the Act is*
212 *\$2,000,000. [35 ILCS 5/220(c)]*
213

214 de) *The aggregate amount of the tax credits that may be claimed under the Act for*
215 *investments made in qualified new business ventures shall be limited ~~to~~*
216 *~~\$15,000,000~~~~10,000,000~~ per calendar year, of which ~~\$5,000,000~~~~1,000,000~~ will be*
217 *reserved for certain qualified new business ventures as set forth in Section 531.55.*
218 *[35 ILCS 5/220(f)]*

219
220 ed) *A claimant may not sell or otherwise transfer a credit award under the Act to*
221 *another person or entity. [35 ILCS 5/220(g)]*
222

223 (Source: Amended at 48 Ill. Reg. _____, effective _____)
224

225 **Section 531.55 Allocation of Tax Credits**

226
227 a) *For taxable years beginning before January 1, 2024:*
228

229 1) *The aggregate amount of the tax credits that may be claimed under the*
230 *Angel Investment Credit Program for investments made in qualified new*
231 *business ventures shall be limited ~~to~~ \$10,000,000 per calendar year. [35*
232 *ILCS 5/220(f)]-*

233
234 2b) *Of the ~~aggregate amount~~~~\$10,000,000 in tax credits that may be claimed~~*
235 *~~and allocated to applicants~~, \$500,000 shall be reserved for investments*
236 *made in qualified new business ventures that are "minority-owned*
237 *businesses", "women-owned businesses", or "businesses owned by a*
238 *person with a disability" (as those terms are used and defined in the*
239 *Business Enterprise for Minorities, Females, and Persons with Disabilities*
240 *Act [30 ILCS 575/2]), and an additional \$500,000 shall be reserved for*
241 *investments made in qualified new business ventures with their principal*
242 *place of business in counties with a population of not more than 250,000.*
243 *[35 ILCS 5/220(f)]*

244
245 b) *For the taxable years beginning on or after January 1, 2024:*
246

247 1) *The aggregate amount of the tax credits that may be claimed under the*
248 *Angel Investment Credit Program for investments made in qualified new*
249 *business ventures shall be limited to \$15,000,000 per calendar year.*

250
251 2) *\$2,500,000 of such aggregate amount shall be reserved for investments*
252 *made in qualified new business ventures that are minority-owned*
253 *businesses, as the term is defined in 30 ILCS 575/2(3).*
254

255 c) *The foregoing annual allowable amounts shall be allocated by the Department,*
256 *on a per calendar quarter basis and prior to the commencement of each calendar*
257 *year, in such proportion as determined by the Department, provided that:*
258

259 1) *the amount initially allocated by the Department for any one calendar*
260 *quarter shall not exceed \$3,500,000; and*
261

262 2) *any portion of the allocated allowable amount remaining unused as of the*
263 *end of any of the first 2 calendar quarters of a given calendar year shall*
264 *be rolled into, and added to, the total allocated amount for the next*
265 *available calendar quarter. [35 ILCS 5/220(f)]*
266

267 d) The Department may roll over any unused credits at the end of the third calendar
268 quarter into the fourth calendar quarter.
269

270 (Source: Amended at 48 Ill. Reg. _____, effective _____)