

Introduced by

1 A BILL for an Act to amend and reenact subsection 3 of section 57-38-01.26 of the North
2 Dakota Century Code, relating to authorized investments of an angel fund for income tax credit
3 purposes; and to provide an effective date.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. AMENDMENT.** Subsection 3 of section 57-38-01.26 of the North Dakota
6 Century Code is amended and reenacted as follows:

7 3. An angel fund must:

- 8 a. Be a partnership, limited partnership, corporation, limited liability company, limited
9 liability partnership, limited liability limited partnership, trust, or estate organized
10 on a for-profit basis which is headquartered in this state.
- 11 b. Be organized for the purpose of investing in a portfolio of at least three primary
12 sector companies that are early-stage and mid-stage private, nonpublicly traded
13 enterprises with strong growth potential. For purposes of this section, an
14 early-stage entity means an entity with annual revenues of up to two million
15 dollars and a mid-stage entity means an entity with annual revenues over two
16 million dollars not to exceed ten million dollars. Investments in an enterprise
17 having its principal place of business located outside this state or in real estate or
18 real estate holding companies are not eligible investments by certified angel
19 funds. Any angel fund certified before January 1, 2013, which has invested in real
20 estate or a real estate holding company is not eligible for recertification.
- 21 c. Consist of at least six accredited investors as defined by securities and exchange
22 commission regulation D, rule 501.
- 23 d. Not have more than twenty-five percent of its capitalized investment assets
24 owned by an individual investor.

- 1 e. Have at least five hundred thousand dollars in commitments from accredited
2 investors and that capital must be subject to call to be invested over an
3 unspecified number of years to build a portfolio of investments in enterprises.
- 4 f. Be member-managed or a manager-managed limited liability company and the
5 investor members or a designated board that includes investor members must
6 make decisions as a group on which enterprises are worthy of investments.
- 7 g. Be certified as an angel fund that meets the requirements of this section by the
8 department of commerce.
- 9 h. Be in compliance with the securities laws of this state.
- 10 i. Within thirty days after the date on which an investment in an angel fund is made,
11 the angel fund shall file with the tax commissioner and provide to the investor
12 completed forms prescribed by the tax commissioner which show as to each
13 investment in the angel fund the following:
- 14 (1) The name, address, and social security number or federal employer
15 identification number of the taxpayer or passthrough entity that made the
16 investment;
- 17 (2) The dollar amount remitted by the taxpayer or passthrough entity; and
18 (3) The date the payment was received by the angel fund for the investment.
- 19 j. Within thirty days after the end of a calendar year, the angel fund shall file with
20 the tax commissioner a report showing the name and principal place of business
21 of each enterprise in which the angel fund has an investment.

22 **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
23 December 31, 2017.