

ANGEL INVESTOR FREQUENTLY ASKED QUESTIONS



Who can be an Angel Investor in KAITC?

An accredited investor who is a natural person or an owner of a permitted entity investor, who is of high net worth, as defined in 17 C.F.R. § 230.501(a)

- Any natural person whose individual net worth, or joint net worth with that person's spouse, exceeds \$1,000,000
- Any natural person with income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000
- A revocable trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered
- Any entity in which all of the equity owners are accredited investors (any general partnership, limited partnership, corporation that is taxed as an S-corporation or a limited liability company that has elected to be taxed as a partnership and that was established and is operated for the sole purpose of making investments in other entities; all owners must be natural persons)

Who is not an Angel Investor in KAITC?

A person who serves as an executive, officer, employee, vendor or independent contractor of a qualified business in which an otherwise qualified cash investment is made is not an angel investor and such person shall not qualify for the issuance of tax credits for such investment.

To be qualified for the Kansas Angel Investor Tax Credit:

Complete the Angel Investor Registration and pay the registration fee.

The Kansas Angel Investor Tax Credit program is limited to a \$6,000,000 Annual Allocation cap each calendar year through 2021.

Registered Angels are not guaranteed a tax credit. Tax credits are issued upon an investment into a KDC qualified company and are issued first come first serve. Investors may not be certain that they will receive an Angel Tax Credit Certificate prior to making a Qualified Cash investment.

There is a \$50,000 tax credit limit per company invested in per year. Accredited angel investors can receive a total of \$250,000 tax credits per calendar year if investing in multiple qualified companies.

How do tax credits benefit the investor?

- The tax credit is 50% of the investor's cash investment into a qualified Kansas Business up to \$50,000
- The tax credit may be used in its entirety in the taxable year in which the cash investment was made
- The Tax Credits are transferable
- If the amount of the credit exceeds the investors' liability in any one taxable year the remaining portion of credit may be carried forward until the total amount of credit is used
- Investors can receive tax credits up to \$50,000 in tax credits per company they invest in, not to exceed \$250,000 in one year
- If the investor is a permitted entity investor, the credit provided is claimed by the owners of the permitted entity investor in proportion to their ownership share of the permitted entity investor

Will your investment qualify for tax credits?

Not all securities will qualify for the KAITC program. Below is a list of qualified securities.

- A general or limited partnership interest
- Common stock
- Preferred stock, with or without voting rights, without regard to seniority position, and whether or not convertible into common stock
- Any form of subordinate or convertible debt with warrants or other means of equity conversion attached
- Safe note
- A debt instrument, such as a note or debenture that is secured or unsecured, subordinated to the general creditors of the debtor and requires no payments of principal, other than principal payments required to be made out of any future profits of the debtor, for at least a seven-year period after commencement of such debt instrument's term
- All Convertible Debt Agreements will need to comply with the seven-year period required for payments of principal on debt instruments under K.S.A. 74-8132(i)(2). Because convertible debts act as a hybrid between equity and debt, to the extent that such note is a debt instrument prior to and in lieu of a conversion to equity, the debt instrument aspect of the note will be required to meet the statutory requirements for a debt instrument.

Looking to Transfer Tax Credits?

A Notification of Tax Credit Transfer with original signatures by both the Transferor and Transferee, along with the original tax credit certificate, and a Kansas Tax Clearance for both the Transferor and Transferee that is less than 30 days old must be sent mailed: KAITC Program Manager, Kansas Department of Commerce, 1000 SW Jackson, Suite 100, Topeka, KS 66612.

The Transferee will need to register online a [kansasangels.com](https://www.kansasangels.com) certifying their qualification as an Angel Investor and remit the \$150* Investor Registration Fee to the Kansas Department of Commerce.

After receipt of all documentation, Commerce will notify the Kansas Department of Revenue of the request to transfer. Upon approval of the request, Commerce will proceed with issuing an original certificate to the Transferee.

In the event a tax credit certificate is lost, a certified copy can be obtained from Commerce after remittance of a \$50* Certificate Replacement Fee.