

Brownback's budget would end key Kansas angel investor credit

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Kansas Gov. [Sam Brownback](#)'s proposed 2013 budget would eliminate almost two dozen tax credit programs, including one that has attracted millions of dollars of investment into technology startups.

The angel investor credit, created in 2004, allows individuals investing in qualified companies to get back half of their investment, to \$50,000 a company.

The program has been successful at attracting high-growth firms to the state and leveraging those credits into additional investments and jobs.

In fiscal 2010, the last year for which numbers are available, 287 investors claimed \$5.7 million in credits to invest in 36 companies. Those companies raised a total of almost \$38 million in capital, creating 193 jobs and preserving 45 jobs with an annual payroll of \$36.6 million.

"It attracts companies to Kansas that might not otherwise come here, both in life sciences and in the technology marketplaces," said [Joel Wiggins](#), CEO of the **Enterprise Center of Johnson County** and head of the Mid-America Angel Network. "We never encourage (people) to invest because of tax credits, but all things being equal, a company that has a tax credit will get the investment while a company that doesn't won't."

In addition, the tax credits are transferable, so even investors living outside Kansas can take advantage, reselling their credits to Kansas taxpayers. In fact, in 2010, out-of-state investments made up 37 percent of the total tax credits.

"I am out there investing in companies, and if I can get a tax credit it's going to help sway my decision of where I put my money and what companies I put my money in," said [Gary Fish](#), who lives in Missouri but has made several investments in Kansas tech companies. "Missouri's looking at programs in this area. Kansas would in a sense be going backward."

Brownback spokeswoman [Sherriene Jones-Sontag](#) denied that cutting the angel tax credits would hurt the state's competitiveness.

She said the governor believes that simplifying the state's tax code, lowering the tax rate and eliminating individual income taxes on non-wage income from small businesses will give the state the second-best tax structure in the region and lead to more companies coming to the state. Also, she said it would free up dollars that people could use to invest in their or others' companies.

She acknowledged that the angel tax credit program has been popular but added that a number of tax credit programs and tax deductions will have to be eliminated to keep the governor's budget "revenue neutral."

"The governor's goal with his tax proposal is to make our state more competitive, and studies have shown that lowering your individual income tax rates is one of the best ways to do that," she said.

[Marianne Hudson](#), executive director of the Lenexa-based **Angel Capital Association**, said the number of states developing investment tax credit programs has grown in recent years, including new programs developed in Nebraska, Illinois and Minnesota. But she said Kansas's program is more generous than average and is structured to help startups attract investment beyond what they can get through the tax credits.

Because the program requires startups to meet certain parameters in terms of how they're structured and their growth prospects, qualified companies have an easier time getting on investors' radars, she said.

"It really is bringing more quality companies to connect with angel investment and then to put them on a platform for any additional investment they might need," Hudson said. "It's too bad it's going to be gone, or might be gone."