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(Original Signature of Member)

113TH CONGRESS  
1ST SESSION

# H. R.

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To amend the Internal Revenue Code of 1986 to allow a credit for equity investments in high technology and biotechnology small business concerns developing innovative technologies that stimulate private sector job growth.

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## IN THE HOUSE OF REPRESENTATIVES

Mr. VAN HOLLEN introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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# A BILL

To amend the Internal Revenue Code of 1986 to allow a credit for equity investments in high technology and biotechnology small business concerns developing innovative technologies that stimulate private sector job growth.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Innovative Tech-  
5 nologies Investment Incentive Act of 2013”.

1 **SEC. 2. CREDIT FOR INVESTMENTS IN HIGH TECHNOLOGY**  
2 **AND BIOTECHNOLOGY BUSINESS CONCERNS**  
3 **DEVELOPING INNOVATIVE TECHNOLOGIES.**

4 (a) IN GENERAL.—Subpart B of part IV of sub-  
5 chapter A of chapter 1 of the Internal Revenue Code of  
6 1986 is amended by adding after section 30D the fol-  
7 lowing new section:

8 **“SEC. 30E. INVESTMENTS IN HIGH TECHNOLOGY AND BIO-**  
9 **TECHNOLOGY BUSINESS CONCERNS DEVEL-**  
10 **OPING INNOVATIVE TECHNOLOGIES.**

11 “(a) ALLOWANCE OF CREDIT.—There shall be al-  
12 lowed as a credit against the tax imposed by this chapter  
13 for the taxable year an amount equal to 25 percent of the  
14 qualified equity investments made by the taxpayer during  
15 the taxable year.

16 “(b) LIMITATIONS.—

17 “(1) NATIONAL LIMITATION.—

18 “(A) IN GENERAL.—There is a national in-  
19 novative technology investment credit limitation  
20 of \$500,000,000.

21 “(B) ALLOCATION OF LIMITATION AND  
22 ISSUANCE OF CERTIFICATE.—Under regula-  
23 tions, the Administrator of the Small Business  
24 Administration shall make allocations of the na-  
25 tional innovative technology investment credit  
26 limitation among qualified equity investments

1 and shall issue an innovative technology invest-  
2 ment credit certificate for each such allocation.

3 “(C) PER BUSINESS INVESTMENT LIMITA-  
4 TION.—The amount of the national innovative  
5 technology investment credit limitation allocated  
6 to a qualified technology small business concern  
7 shall not exceed 50 percent of the total amount  
8 awarded to such concern under the Small Busi-  
9 ness Innovation Research (SBIR) program  
10 under section 9 of the Small Business Act.

11 “(D) CERTIFICATE REQUIRED FOR CREDIT  
12 ELIGIBILITY.—The amount allowed as a credit  
13 under subsection (a) with respect to any quali-  
14 fied equity investment shall not exceed the  
15 amount of the national innovative technology  
16 investment credit limitation allocated to such  
17 investment and shown on the innovative tech-  
18 nology investment credit certificate pursuant to  
19 subparagraph (E)(ii).

20 “(E) INNOVATIVE TECHNOLOGY INVEST-  
21 MENT CREDIT CERTIFICATE.—For purposes of  
22 this subsection, an innovative technology invest-  
23 ment credit certificate is a certificate which—

24 “(i) certifies the amount of the quali-  
25 fied equity investment,

1           “(ii) relates such investment to an  
2           award under the Small Business Innova-  
3           tion Research (SBIR) program under sec-  
4           tion 9 of the Small Business Act which  
5           qualifies for purposes of this section, and

6           “(iii) contains such other information  
7           as the Administrator, in consultation with  
8           the Secretary, determines to be necessary  
9           or appropriate to carry out this section.

10           The amount of any award under the Small  
11           Business Innovation Research program, once  
12           related under subparagraph (B) with a qualified  
13           equity investment, may not thereafter be avail-  
14           able for purposes of this section.

15           “(2) LIMITATION BASED ON PERCENTAGE OWN-  
16           ERSHIP.—The amount of the credit under subsection  
17           (a) allowed to the taxpayer with respect to a quali-  
18           fied equity investment in a qualified technology  
19           small business concern shall be zero if, after such in-  
20           vestment, the taxpayer owns (within the meaning of  
21           section 318) 50 percent or more of—

22           “(A) in the case that such concern is a  
23           corporation, the outstanding stock of the cor-  
24           poration (either by vote or value), and

1           “(B) in the case that such concern is not  
2           a corporation, the capital and profits interests  
3           of such concern.

4           “(c) QUALIFIED EQUITY INVESTMENT.—For pur-  
5 poses of this section—

6           “(1) IN GENERAL.—The term ‘qualified equity  
7 investment’ means any equity investment in a quali-  
8 fied technology small business concern made during  
9 the investment period if such investment is acquired  
10 by the taxpayer at its original issue (directly or  
11 through an underwriter) solely in exchange for cash.

12           “(2) EQUITY INVESTMENT.—The term ‘equity  
13 investment’ means—

14           “(A) any stock (other than nonqualified  
15 preferred stock, as defined in section 351(g)(2))  
16 in an entity which is a corporation, and

17           “(B) any capital or profits interest in an  
18 entity which is not a corporation.

19           “(3) QUALIFIED TECHNOLOGY SMALL BUSINESS  
20 CONCERN.—The term ‘qualified technology small  
21 business concern’ means, with respect to any taxable  
22 year, any small business concern (as defined in sec-  
23 tion 3 of the Small Business Act) if such concern—

24           “(A) is engaged in a high technology or  
25 biotechnology trade or business, and

1           “(B) employs an average of fewer than  
2           500 employees on business days during such  
3           year.

4           “(4) INVESTMENT PERIOD.—The term ‘invest-  
5           ment period’ means the period—

6           “(A) beginning on the date the qualified  
7           technology small business concern first receives  
8           funds pursuant to a funding agreement under  
9           the Small Business Innovation Research  
10          (SBIR) program under section 9 of the Small  
11          Business Act, and

12          “(B) ending on the last day of the 18-  
13          month period beginning on the date on which  
14          such funding agreement ceases to be in effect.

15          “(d) APPLICATION WITH OTHER CREDITS.—

16          “(1) BUSINESS CREDIT TREATED AS PART OF  
17          GENERAL BUSINESS CREDIT.—Except as provided in  
18          paragraph (2), the credit which would be allowed  
19          under subsection (a) for any taxable year (deter-  
20          mined without regard to this subsection) shall be  
21          treated as a credit listed in section 38(b) for such  
22          taxable year (and not allowed under subsection (a)).

23          “(2) PERSONAL CREDIT.—

24          “(A) IN GENERAL.—In the case of an indi-  
25          vidual who elects the application of this para-

1 graph, for purposes of this title, the credit al-  
2 lowed under subsection (a) for any taxable year  
3 (determined after application of paragraph (1))  
4 shall be treated as a credit allowable under sub-  
5 part A for such taxable year.

6 “(B) CARRYFORWARD OF UNUSED CRED-  
7 IT.—If the credit allowable under subsection (a)  
8 by reason of subparagraph (A) exceeds the limi-  
9 tation imposed by section 26(a) for such taxable  
10 year, reduced by the sum of the credits allow-  
11 able under subpart A (other than this section)  
12 for such taxable year, such excess shall be car-  
13 ried to each of the succeeding 20 taxable years  
14 to the extent that such unused credit may not  
15 be taken into account under subsection (a) by  
16 reason of subparagraph (A) for a prior taxable  
17 year because of such limitation.

18 “(e) SPECIAL RULES.—

19 “(1) RELATED PARTIES.—For purposes of this  
20 section—

21 “(A) IN GENERAL.—All related persons  
22 shall be treated as 1 person.

23 “(B) RELATED PERSONS.—A person shall  
24 be treated as related to another person if the  
25 relationship between such persons would result

1           in the disallowance of losses under section 267  
2           or 707(b).

3           “(2) BASIS.—For purposes of this subtitle, the  
4           basis of any investment with respect to which a cred-  
5           it is allowable under this section shall be reduced by  
6           the amount of such credit so allowed.

7           “(3) RECAPTURE.—The Secretary shall, by reg-  
8           ulations, provide for recapturing the benefit of any  
9           credit allowable under subsection (a) with respect to  
10          any qualified equity investment which is held by the  
11          taxpayer less than 3 years, except that no benefit  
12          shall be recaptured in the case of—

13                   “(A) transfer of such investment by reason  
14                   of the death of the taxpayer,

15                   “(B) transfer between spouses, or

16                   “(C) transfer incident to the divorce (as  
17                   defined in section 1041) of such taxpayer.

18          “(f) REGULATIONS.—The Secretary shall prescribe  
19          such regulations as may be appropriate to carry out this  
20          section, including regulations—

21                   “(1) which prevent the abuse of the purposes of  
22                   this section, and

23                   “(2) which impose appropriate reporting re-  
24                   quirements.”.

1 (b) CREDIT MADE PART OF GENERAL BUSINESS  
2 CREDIT.—Subsection (b) of section 38 of such Code (re-  
3 lating to current year business credit) is amended by strik-  
4 ing “plus” at the end of paragraph (35), by striking the  
5 period at the end of paragraph (36) and inserting “, plus”,  
6 and by adding at the end the following new paragraph:

7 “(37) the portion of the qualified equity invest-  
8 ment credit to which section 30E(d)(1) applies.”.

9 (c) CONFORMING AMENDMENTS.—

10 (1) Section 1016(a) of such Code is amended  
11 by striking “and” at the end of paragraph (36), by  
12 striking the period at the end of paragraph (37) and  
13 inserting “, and”, and by inserting after paragraph  
14 (37) the following new paragraph:

15 “(38) to the extent provided in section  
16 30E(d)(2).”.

17 (2) Section 25(e)(1)(C) of such Code is amend-  
18 ed by inserting “30E,” after “25D,”.

19 (3) Section 1400C(d) of such Code is amended  
20 by inserting “and 30E” after “25D”.

21 (d) CLERICAL AMENDMENT.—The table of sections  
22 for subpart B of part IV of subchapter A of chapter 1  
23 of such Code is amended by inserting after the item relat-  
24 ing to section 30D the following new item:

“Sec. 30E. Investments in high technology and biotechnology business concerns  
developing innovative technologies.”.

1           (e) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to investments made after Decem-  
3 ber 31, 2012, in taxable years ending after such date.