

Thank you, Chairman Donovan and committee members, for allowing my testimony today about the **Angel Investor Credit**, a critical program for Kansas that **created 591 new jobs and an 8:1 return on investment**.

In my role as CEO of The Enterprise Center and in working with Angel Investors, and as a member of the KansasBio Industry Advisory Panel, I bring an industry and investor perspective to this discussion. Small bioscience companies and early stage high-technology companies are an important sector of our industry.

According to leading economists such as Bob Litan at the Kauffman Foundation, these are the very companies who are creating jobs. 135 companies have leveraged the Angel Investor Program over the last five years to grow jobs.

The Kansas Angel Investor Tax Credit Program is created by the Kansas Angel Investor Tax Act, as codified at K.S.A. 74-8131 - K.S.A. 74-8137. The program is designed to bring together Kansas-based accredited angel investors with Kansas-based, certified companies seeking seed and early stage investment.

The Angel Investor Credit would be eliminated in Governor Brownback's tax plan, SB 339. We urge you to continue the Angel Investor Tax Credit program, creating jobs and fueling innovation, rather than handing these jobs and investments to neighboring states.

ANGEL INVESTOR CREDIT FACTS*:

- **135 companies have benefitted from the program between 2005 and 2010, as the Angel Investor Credits issued total \$23,752,041 to 1,060 qualified investors.**
- **591 new jobs were created as a result of the Angel Investor Credits, and \$206,007,179 in investment capital was raised to fuel innovation.**
- **\$8.75:\$1 is the effective return on investment to the State of Kansas, based on the fact that the total amount of revenue among these companies is \$208,003,639 from '05 to '10.**

**Data obtained from Kansas Department of Commerce, 2010 Angel Tax Credit Annual Report*

WHAT PEOPLE ARE SAYING:

Serial entrepreneur Nick Franano wrote about the value of the Angel Investor Credits in his December 2011 blog. *"The Kansas Angel Tax Credit program is a very efficient way for the State to help...companies get through the "valley of death" and on their way to rapid growth and job and wealth creation. By design, dollars are allocated only to those companies that are successful in attracting private capital. The state effectively follows the due diligence of private individuals investing their own money in making the public "investment." The private investor benefits from a reduction in risk, resulting in greater investment in the types of early stage, high potential companies that could one day grow to become huge sources of jobs and taxes like Cerner, Garmin, and Marion Labs. In my experience, these credits have been highly motivating for investors and the presence of the program in Kansas is a major reason that so many early stage technology companies have located in the state in the last six years."*

In response to Governor Brownback's tax plan that eliminates the Angel Investor Credit, a January 13, 2012, article in the Kansas City Business Journal quoted Greg Kratofil, an attorney with Polsinelli Shughart law firm who has been working with the Google fiber project. *"This is going to be a huge blow to the development and innovation we can do around the Google project,"* said Kratofil. *"Missouri ought to be dancing in the streets about this. With the **Kansas angel tax credit**, it was practically legal malpractice to set up a technology firm on the Missouri side because they all need money, and if they need money, the **Kansas angel tax credit is the best vehicle to grow your business. Now (Brownback) is just about to hand tech companies to the KCMO side.**"*

In 2010, out-of-state investments made up 37 percent of the total tax credits, the article reported. *"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."***

 **The State of Kansas should keep the Angel Investor Tax Credit and fund it for \$6 million in the State**

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