

Supporting Entrepreneurship: Evaluation of the Minnesota Angel Tax Credit Program



Client

Minnesota Department of Revenue

Facts

Period

2013

Project Country

United States

Minnesota's Angel Tax Credit is designed to encourage equity investments in early-stage, technology-based businesses that drive the state's knowledge economy. From 2010 to 2012, the state issued over \$34 million in tax credits under the program. Looking to gauge its effectiveness, the Minnesota Department of Revenue hired EDR Group (now EBP) to evaluate the economic and fiscal impacts of the credit and to conduct benefit-cost analysis for the program. Because not all entrepreneurs succeed, the evaluation also considered expected firm failure rates by industry.

Policy questions dealt with program attribution, leverage effects, and opportunity costs: What would investors have invested in if the program hadn't existed? How would businesses have performed? What if Minnesota had instead increased its R&D tax credit allocation? EDR Group considered factors that often go overlooked in tax credit evaluations by using surveys targeted toward investors, investor funds, and the small businesses that received investments. The study also considered investment disparities and the potential for inclusive growth, finding that women- and minority-owned businesses, as well as those located outside the Twin Cities metro area, were underrepresented among participating businesses.

Since the study's release, the program was re-authorized and reformed to address several issues identified by the research team.



Contact Persons