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**Ohio Venture Association
Position Paper
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Ohio Technology Investment Tax Credit

The Ohio Venture Association strongly encourages an extension of the Ohio Technology Investment Tax Credit program. The availability of this tax credit encourages individual Ohio investors to support an emerging array of promising early-stage, technology-based Ohio companies that offer the potential to create vital new jobs throughout the State. The tax credit has been instrumental in the recent expansion of angel investing that supports pre-seed and seed stage companies that often find access to capital most challenging, and already has resulted in the development of a significant number of entrepreneurial ventures throughout the State. We urge the Ohio legislature and Governor to extend this vital program for at least another five years to sustain the investment momentum already created and maintain Ohio's emerging stature as a start-up-company-friendly State.

How the Program Works

The Technology Investment Tax Credit program provides a tax credit to Ohio taxpayers who invest in early-stage, Ohio-based technology companies that already have been approved for the credit. The credit enables these taxpayers to reduce their state taxes in the year in which they make their investment in already approved companies by 25% of the dollar amount of their investment in qualified Ohio technology companies (or 30% if the investment is in an Encouraging Diversity Growth and Equity ("EDGE")-qualified entity, or an entity in a "distressed county"). Companies become qualified by applying for the credit and meeting certain criteria. Investors also must meet certain requirements to be eligible.

The credit may be claimed by the investor against personal income tax, corporate franchise tax, public utility excise tax, or the dealers in intangibles tax, up to a maximum

investment of \$250,000 per company (or \$300,000 if the investment is in an EDGE-qualified entity, or an entity in a “distressed county”).

To date, 370 Ohio companies have been approved for nearly \$34 million in tax credits, of which over \$26 million has been credited to date. This has resulted in investments in Ohio companies of over \$104 million. If the fully approved tax credits are claimed, the approved companies could raise over \$135 million in total.

More specifics can be found on the program’s Web site: <http://development.ohio.gov/tech/titc/>.

Where the Program Stands Today

The program became effective on November 18, 1996 with the authority to issue up to \$30 million in tax credits. Given the popularity of the program, the ceiling of \$30 million is close to being reached and needs to be extended by action of the Legislature and approval of the Governor. This program is expected to be depleted in 2009.

Why the Program is Beneficial To All Ohio Citizens

Angel investing is booming in Ohio, in part due to the availability of the Ohio Technology Investment Tax Credit program. Formal angel networks have developed in Cleveland (North Coast Angels), Akron (ARCHAngels), Columbus (Ohio TechAngels), Toledo (CoreNetwork), Athens (East Central Ohio TechAngels), and Cincinnati (Queen City Angels). Between them, these angel networks have backed dozens of Ohio early-stage companies in a variety of fields, including life sciences, IT, advanced power and alternative energy, advanced materials, and instruments and controls.

These angel networks work closely with other Ohio economic development groups tasked with spurring entrepreneurial activity around the state, including CincyTech, TechColumbus, JumpStart, BioEnterprise, TechLift, Rocket Ventures and many other regional entrepreneurial assistance organizations.

In addition to these formal angel groups, there are many more individuals and groups that provide investment capital that helps stimulate the creation and growth of early-stage ventures throughout the State.

With the extension of the Technology Investment Tax Credit program, Ohio will continue to mobilize these vital sources of private capital that are needed to sustain critical economic development and create the core foundation for job growth over the coming two decades.

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