

HB350 INTRODUCED



1 HB350
2 PS4ZYRR-1
3 By Representatives Shaw, DuBose, Brown, Marques, Moore (P),
4 Chestnut, Rafferty, Rigsby, Faulkner
5 RFD: Ways and Means Education
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SYNOPSIS:

This bill would establish the Angel Investor Tax Credit Act which would allow certain qualified investors to claim income tax credits for investments in certain qualified businesses.

A BILL
TO BE ENTITLED
AN ACT

Relating to income tax; to create the Angel Investor Tax Credit Act; to provide for income tax credits to qualified investors who make qualified investments.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. This act shall be known as the Angel Investor Tax Credit Act.

Section 2. The Legislature finds and declares that early stage capital is critical to the growth of innovative startup companies in the state, and that angel investors play a key role in financing high-growth businesses. Therefore, having a credit in place for those angel investors will help promote entrepreneurship, job creation, capital investment, and long-term economic growth in the state.



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Section 3. For the purposes of this act, the following terms have the following meanings:

(1) DEPARTMENT. The Alabama Department of Commerce.

(2) PRIORITY IMPACT BUSINESS. A qualified business that the department determines is primarily engaged in, or whose products or services materially support, one or more of the following:

a. Rural health care access or delivery.

b. Agriculture production, agribusiness, or agricultural technology.

c. Educational supports or services for high-need student populations, including students in poverty, English learners, students with disabilities, gifted students, or public charter school students.

d. Home-based education, including homeschooling.

e. Workforce development or workforce participation.

f. Housing affordability.

(3) QUALIFIED ANGEL INVESTOR. A person who either:

a. Makes a qualified investment and is not a controlling shareholder, owner, or employee of the qualified business at the time of the investment; or

b. Is a pass-through entity, including a limited liability corporation, an S-corporation, or a partnership that makes a qualified investment, provided that the credit is claimed by the owners, not the pass-through entity.

(4) QUALIFIED BUSINESS. A business entity that at the time of the first qualified investment it receives meets all of the following criteria:



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57 a. Headquartered in this state and intends to remain in
58 this state after receipt of the investment.

59 b. Has 100 or fewer employees.

60 c. Employs at least 51 percent of its employees in this
61 state or pays at least 51 percent of its payroll to employees
62 in this state.

63 d. Has been in operation for 10 years or less.

64 e. Is primarily engaged in manufacturing, processing,
65 or assembling products; developing, producing,
66 commercializing, or licensing technology products, software,
67 or technology-enabled services; conducting research and
68 development including in biotechnology, life sciences, or
69 medical devices; or developing or proving agribusiness or
70 agricultural technology products and services.

71 f. Is not primarily engaged in retail sales; real
72 estate development; the business of insurance, banking, or
73 lending; or the provision of professional services provided by
74 accountants, attorneys, or physicians.

75 (5) QUALIFIED INVESTMENT. A cash investment made in
76 exchange for equity, debt, or other ownership interest in a
77 qualified business as approved by the department.

78 Section 4. (a)(1) For tax years beginning on or after
79 January 1, 2027, and ending December 31, 2031, a qualified
80 angel investor may claim an income tax credit in an amount
81 equal to 25 percent of the amount contributed to a qualified
82 business during the tax year as provided in this section.

83 (2) Any credit provided by this act may not decrease a
84 taxpayer's liability to less than zero. If the tax liability



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of the taxpayer is less than the credit offered, then the unused portion may be carried forward for up to five years.

(3) A qualified angel investor may not claim more than two hundred fifty thousand dollars (\$250,000) in credits pursuant to this act in any single tax year.

(4) The total amount of credits granted shall not exceed five million dollars (\$5,000,000) for the tax year ending December 31, 2027, ten million dollars (\$10,000,000) for the tax year ending December 31, 2028, and twelve million dollars (\$12,000,000) for each subsequent tax year.

(b) The department shall reserve not less than 50 percent of the total tax credits available each tax year for qualified investments in a priority impact business. Reserved credits shall be granted on a first-come, first-served basis within the reserve category. Any reserved credits not awarded by October 1 of each year shall be made available for other qualified investments. The unreserved tax credits authorized by this section shall be on a first-come, first-served basis.

(c) (1) The department shall submit an annual informational report to the Department of Revenue containing a list of priority impact businesses, qualified businesses, and qualified angel investors.

(2) The department may require qualified businesses to report on job creation, revenue growth, and other economic impacts.

(3) The department shall coordinate with the Department of Revenue to monitor compliance with this act.

(d) (1) To claim a credit under this section, a



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qualified angel investor shall submit documentation of their qualified investment in a qualified business to the Department of Revenue. The Department of Revenue shall certify qualified investments in a qualified business made in accordance with this act.

(2) The Department of Revenue may recapture all of, or a portion of, the credit if any of the following occur:

a. The qualified investment is sold, transferred, or otherwise disposed of within three years of the investment date.

b. The qualified business relocates its principal operation outside of Alabama within three years of the investment.

c. The credit was obtained through material misrepresentation or fraud.

(e) The department shall conduct workshops and outreach campaigns to educate investors and startups about the tax credit and it may also partner with universities, incubators, and tech accelerators to identify qualifying businesses and attract angel investors.

(f) The Department of Revenue and the Department of Commerce shall adopt any rules necessary to implement and administer this act.

Section 5. This act shall become effective on June 1, 2026.