

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
6 First Read: 29-Jan-26



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4 SYNOPSIS:

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

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12 A BILL
13 TO BE ENTITLED
14 AN ACT

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

19 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

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



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

31 (1) DEPARTMENT. The Alabama Department of Commerce.

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

36 a. Rural health care access or delivery.

37 b. Agriculture production, agribusiness, or
38 agricultural technology.

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

43 d. Home-based education, including homeschooling.

44 e. Workforce development or workforce participation.

45 f. Housing affordability.

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

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

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

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



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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

136 Section 5. This act shall become effective on June 1,
137 2026.