



NEW YORK STATE SENATOR

Joseph P. Addabbo Jr.

## Addabbo Co-Sponsors Bill to Help Small Businesses Get Venture Capital Funding

JOSEPH P. ADDABBO JR June 14, 2011

| ISSUE: **SMALL BUSINESS**

**Queens, NY, June 14, 2011** – NYS Senator Joseph P. Addabbo, Jr., (D-Queens) is pleased to announce that he is a co-sponsor of legislation (**S.5587**) introduced in the Senate by Senator James Alesi (R-Rochester) that would amend the state's tax law to authorize the state to license six certified capital companies to raise \$150 million in private venture capital from insurance companies in order to assist New York businesses that require funds not available from traditional commercial banks through all stages of development: pre-startup, start-up, expansion, or survival. In exchange for investing in qualified businesses, the insurance companies would get premium tax credits, with such issuance to be delayed four years. While the economic benefits of the program begin almost immediately, the delayed tax credits would have no fiscal impact to New York State until 2015.

In order to qualify for the tax credits, each certified capital company must satisfy a number of requirements in its investment portfolio, including:

- Two-thirds of its investment of certified capital must go towards qualified businesses located in underserved areas.
- Ten percent of its investment must be directed towards qualified seed funds, certified as such by the Superintendent of Financial Services.
- Fifty percent of its investments must go towards businesses focused on emerging technology products and services.
- No more than \$15 million can be invested towards one individual company.

In addition, a certified capital company under CAPCO-6 would be required to return 15 percent of its net profits on qualified investments to the Department of Financial Services. This legislation also adds to the reporting requirements already present in previous CAPCO programs to ensure compliance with the requirements set forth above.

New York State last renewed its CAPCO program in 2005. The NY CAPCO was created by the Assembly over a decade ago to utilize a premium tax credit incentive to increase investment in venture capital funds focused exclusively on New York businesses. New York insurance companies can earn tax credits by making investments in small companies that have difficulty accessing traditional funding sources. Since 1998, five CAPCO programs have been certified. Through these five programs, \$400 million of private capital has been raised, and the investment from these funds has created or retained over 2,000 jobs and will generate \$412 million in tax revenue by 2016. Says Addabbo, "It's a win-win for both small business owners and investors. Our current economic climate makes getting risk capital for small businesses extremely challenging. As elected officials, we must make every effort to help our small businesses."

The bill has been sent for review to the Senate's Committee on Investigations and Government Operations. After passage and signature by the Governor, the bill would take effect immediately.

###