1350

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

APPLICATION FOR ANGEL INVESTOR CREDIT

SC SCH.TC-56A
(Rev. 8/13/14)
3658

20 _____

Name(s) As Shown On Tax Return	SSN or FEIN
Mailing Address	Contact Person
Street	Contact Person's Title
City County State ZIP	Telephone Number
Physical Address Street	Alternate Telephone Number
City County State ZIP	Email

PART A. The applicant is (check all that apply):

_____ 1. a natural person whose individual net worth, or joint net worth with that person's spouse, exceeds $1 million, excluding the value of the person's primary residence.

_____ 2. a natural person who had an individual income exceeding $200,000 in each of the two most recent years or joint income with a spouse exceeding $300,000 in each of those years, and has a reasonable expectation of the same income level in the current year.

_____ 3. a director, executive officer, or general partner of the issuer of securities, or any director, executive officer, or general partner of a general partner of the issuer.

_____ 4. a partnership, corporation, business trust, or Internal Revenue Code Section 501(c)(3) organization, not formed for the specific purpose of acquiring the securities offered, with assets exceeding $5 million.

_____ 5. an entity in which all the equity owners are accredited investors.

_____ 6. a trust with assets exceeding $5 million, not formed for the specific purpose of acquiring the securities offered, whose purchase is made by a sophisticated person.

_____ 7. a bank, savings and loan association, insurance company, registered investment company, business development company, or small business investment company.

_____ 8. an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, savings and loan association, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets exceeding $5 million or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.

PART B. The applicant is (check number and letter):

_____ 1. an individual person who is:

_____ a. a South Carolina resident or

_____ b. subject to South Carolina income tax; or

_____ 2. a pass-through entity taxed as:

_____ a. a partnership (or a limited liability company taxed as a partnership) or

_____ b. an S corporation (or a limited liability company taxed as an S corporation)

PART C. For each qualifying investment, enter:

1. The date the investment was made in the qualified business: _____
   MM-DD-YYYY
2. The name of the qualifying business: _____
3. The amount of the applicant's investment: $ _____

SKIP PARTS D THROUGH H IF THE APPLICANT IS AN INDIVIDUAL.

PART D. Answer these questions if the applicant is taxed as a partnership or S corporation:

1. Was the applicant formed for investment purposes? ___ Yes or ___ No
2. Does the applicant have business operations? ___ Yes or ___ No
3. Does the applicant have committed capital under management exceeding $5 million? ___ Yes or ___ No
4. Is the applicant capitalized with funds raised or pooled through private placement memoranda directed to institutional investors? ___ Yes or ___ No
5. Is the applicant a venture capital fund or commodity fund with institutional investors or a hedge fund? ___ Yes or ___ No

PART E. The credit will pass through to partners or shareholders in the same manner as (select one):

_____ 1. the proportionate shares of income would be determined.

_____ 2. the proportionate shares of loss would be determined.

PART F. Partner and Shareholder Information

For each partner or shareholder of the applicant, provide the name, social security number (SSN) or employer identification number (EIN), and percentage of credit allocated. Also explain how each entity is taxed; for example: individual, non-grantor trust, estate, partnership, C corporation, or S corporation. If the entity is a **single member limited liability company not taxed as a corporation**, provide the information of the single member. If the entity is a **grantor trust** provide the information of the grantor. Include additional Parts F as needed.

Partner or Shareholder Name	SSN or FEIN	% Credit	Type of Entity

GO TO PART H IF NO PARTNERSHIP OR S CORPORATION IS INCLUDED IN PART F.

PART G. Information for Additional Tiers

Enter the appropriate number to indicate G-1, G-2, and so on. Complete a separate Part G-1 for each partnership or S corporation included in Part F, a separate Part G-2 for each partnership or S corporation included in Part G-1, and so on. Name the partnership or S corporation at the top. For each partner or shareholder invested in the named entity, provide the name, SSN or EIN, and percentage of credit allocated. Also explain how each entity is taxed, in the same manner as in Part F.

G-____ for (name of partnership or S corporation) _____

Partner or Shareholder Name	SSN or FEIN	% Credit	Type of Entity
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SKIP PART H IF THE APPLICANT SELECTED NUMBER 1, 2, 3, 4, 6, 7 or 8 IN PART A.

PART H. Accredited Investor Information for Equity Owners

Enter the name of the applicant. Enter the name of each partnership or S corporation included in Part F and indicate how the entity qualifies as an accredited investor using the appropriate number(s) from Part A. Include all numbers that apply. Include additional Parts H as needed.

Also complete a separate Part H for any partnership or S corporation that has only the number 5 from Part A and is included in another Part H. Enter the name of the partnership or S corporation, the name of each partners or shareholder by the name of and indicate how the partnership or S corporation qualifies as an accredited investor using the appropriate number(s) from Part A. Include all numbers that apply. Include additional Parts H as needed.

Partnership or S Corporation Name: _____

Partner or Shareholder Name	How Partner or Shareholder Qualifies as an Accredited Investor (Include All Numbers from Part A that Apply.)
Partner or Shareholder Name	How Partner or Shareholder Qualifies as an Accredited Investor (Include All Numbers from Part A that Apply.)
Partner or Shareholder Name	How Partner or Shareholder Qualifies as an Accredited Investor (Include All Numbers from Part A that Apply.)
Partner or Shareholder Name	How Partner or Shareholder Qualifies as an Accredited Investor (Include All Numbers from Part A that Apply.)
Partner or Shareholder Name	How Partner or Shareholder Qualifies as an Accredited Investor (Include All Numbers from Part A that Apply.)
Partner or Shareholder Name	How Partner or Shareholder Qualifies as an Accredited Investor (Include All Numbers from Part A that Apply.)
Partner or Shareholder Name	How Partner or Shareholder Qualifies as an Accredited Investor (Include All Numbers from Part A that Apply.)
Partner or Shareholder Name	How Partner or Shareholder Qualifies as an Accredited Investor (Include All Numbers from Part A that Apply.)

SIGN AND DATE THE APPLICATION

Under penalties of perjury, I hereby certify that the information provided in this application is true and accurate to the best of my knowledge and belief and that I have obtained waivers from all entities included in this application to disclose their tax identification numbers.

_____
Date

_____
Signature of Taxpayer or Officer

_____
Printed Name of Taxpayer or Officer

_____
Title, if Applicable

Mail To: SC Department of Revenue
Research and Forms Development
Columbia, SC 29214-0019

OR Email a scanned PDF of TC-56A to taxtech@sctax.org

INSTRUCTIONS

Complete TC-56A to apply for an Angel Investor Credit. Total credits for all taxpayers may not exceed $5 million for any calendar year. Applications must be filed with the Department of Revenue on or before **December 31** of the calendar year when the investment was made. The Department will allocate tentative credits on or before **January 31** of the following calendar year. If total credits exceed $5 million, the Department of Revenue will allocate tentative credits on a pro rata basis. After you receive approval, include the amount approved on a completed **TC-56** Angel Investor Credit schedule to claim the credit with your income tax return.

General information

An angel investor is entitled to a nonrefundable income tax credit of 35% of qualified investments made between 2013 and 2019 in a qualified business.

Purpose of credit

The purpose of the credit is to:
(1) encourage individual angel investors to invest in early stage, high-growth, job-creating businesses;
(2) enlarge the number of high-quality, high-paying jobs within the State;
(3) expand the economy of this State by enlarging its base of wealth-creating businesses; and
(4) support businesses seeking to commercialize technology invented in this State's institutions of higher education.

Angel Investors

An “angel investor” is an accredited investor as defined by the U.S. Securities and Exchange Commission, who is either:
- a South Carolina resident individual or a nonresident individual subject to South Carolina income taxes; or
- a pass-through entity formed for investment purposes that has no business operations and no committed capital under management exceeding $5 million and is not capitalized with funds raised or pooled through private placement memoranda directed to institutional investors. A venture capital fund or commodity fund with institutional investors or a hedge fund does not qualify as an angel investor.

The definition of "accredited investor" in 17 CFR 230.501 includes:
- a director, executive officer, or general partner of the company selling the securities;
- a business in which all the equity owners are accredited investors;
- a natural person who has individual net worth, or joint net worth with the person’s spouse, that exceeds $1 million at the time of the purchase, excluding the value of the primary residence of such person; and
- a natural person with income exceeding $200,000 in each of the two most recent years or joint income with a spouse exceeding $300,000 for those years and a reasonable expectation of the same income level in the current year.

$100,000 is the maximum credit that an individual can earn in a single tax year.

Any pass-through entity making a qualified investment directly in a qualified business must allocate the credit allowed to each individual who is a shareholder, partner, or member of the entity in an amount determined in the same manner as the proportionate shares of income or loss of the pass-through entity would be determined. The pass-through entity must make an irrevocable election with the Department of Revenue as to the manner in which the credit is allocated. If an individual's share of the pass-through entity's credit for a tax year is reduced to the $100,000 maximum amount, the pass-through entity and its owners may not reallocate the unused credit among the other owners.

Qualified Investments

“Qualified investment” means an investment by an angel investor of cash in a qualified business for common or preferred stock or an equity interest or a purchase for cash of subordinated debt in a qualified business. Investment of common or preferred stock or an equity interest or purchase of subordinated debt does not qualify as a qualified investment if a broker fee or commission or a similar remuneration is paid or given directly or indirectly for soliciting an investment or a purchase.

Qualified Businesses

A “qualified business” is a registered business that:

- is a corporation, limited liability company, or general or limited partnership located in this State that has its headquarters in this State at the time the investment was made and has maintained the headquarters for the entire time the qualified business benefitted from the tax credit;
- was organized no more than 5 years before the qualified investment was made;
- employs 25 or fewer people in this State at the time it is registered as a qualified business;
- has had gross income of $2 million or less on a consolidated basis, as determined in accordance with the Internal Revenue Code, in any complete fiscal year before registration;

- is primarily engaged in manufacturing, processing, warehousing, wholesaling, software development, information technology services, or research and development, or is a qualifying service-related facility; and
- does not engage substantially in retail sales; real estate or construction; professional services; gambling; natural resource extraction; financial brokerage, investment activities, or insurance; or entertainment, amusement, recreation, or athletic or fitness activity for which an admission or fee is charged. A business is substantially engaged in an activity if either its gross revenue from the activity in a fiscal year exceeds 25% of its total gross revenues or if, according to its articles of incorporation, articles of organization, operating agreement, or similar organizational documents, one of its primary purposes when established was to engage in the activity.

A qualified business must apply with the Secretary of State for certification. “Registered” or “registration” means that a business was certified by the Secretary of State as a qualified business at the time it applied. Registration is valid for 12 months after the date of certification. A business may renew its registration if it remains a qualified business at the time of renewal.

The Secretary of State must revoke the registration if it finds that any information contained in the application is false. The Secretary of State will not revoke the registration of a business that ceases business operations for an indefinite period of time, as long as the business renews its registration.

A registration as a qualified business may not be sold or otherwise transferred except when a qualified business enters into a merger, conversion, consolidation, or other similar transaction with another business. The surviving company may retain the registration for the remainder of the 12-month period if it would otherwise meet the criteria for being a qualified business. Instead of having to apply, the qualified business must provide written notice to the Secretary of State of the merger, conversion, consolidation, or similar transaction and other information as required by the Secretary of State.

“Headquarters” means the facility or portion of a facility where corporate staff employees are physically employed and where the majority of the company's or company business units financial, personnel, legal, planning, information technology, or other headquarters-related functions are handled.

Applying for tentative approval from the Department of Revenue

The total amount of credits allowed for all taxpayers for any one calendar year is $5 million. An angel investor seeking to claim a tax credit provided for under this chapter must submit an application to the Department of Revenue for tentative approval for the tax credit in the year for which the tax credit is claimed or allowed. The Department of Revenue must review the application and tentatively must approve the application upon determining that it meets the requirements of this chapter.

The Department of Revenue will notify each applicant of the tax credits tentatively approved and allocated to the qualified investor on or before January 31st of the year after the application was submitted. If the credits claimed exceed $5 million, the Department will allocate credits on a pro rata basis among the angel investors who filed timely applications. The credit must be tentatively approved and communicated to the angel investor before the angel investor can claim the credit on a tax return.

Limitations

50% of the allowed credit may be applied to the angel investor's net income tax liability in the tax year during which the qualified investment is made, and the remaining 50% may be applied to the angel investor's net income tax liability in the tax years after the qualified investment is made.

“Net income tax liability” means South Carolina state income tax liability reduced by all other credits allowed under Titles 11, 12, and 48 of the S.C. Code of Laws.

The credit is nonrefundable. Unused credits can be carried forward for 10 years from the close of the tax year in which the qualified investment was made.

Transfers of credit

Tax credits generated as a result of these investments are not considered securities under the laws of this State.

Unused credits may be transferred to the angel investor’s spouse, or incident to divorce, or, upon his or her death, to the angel investor’s heirs and legatees.

Unused credits may be sold, exchanged or otherwise transferred, and may be carried forward for a period of 10 years from the close of the tax year in which the qualified investment was made. A tax credit or part of a tax credit can be transferred **only once**. The credit may be transferred to any taxpayer. A transferred credit may be used for the tax year in which the transfer occurred, and unused amounts may be carried forward for 10 years from the close of the tax year in which the qualified investment was made. The Department of Revenue may develop procedures for the transfer of the credits.

If an angel investor taxpayer recognized net capital gain on the sale or exchange of credit assets in a tax year, then the amount of net capital gain of that taxpayer eligible for the deduction is reduced by the net capital gain on the sale or exchange of credit assets.

“Angel investor taxpayer” means a taxpayer who invested in a capital asset and as a result of that investment was eligible to claim the tax credit allowed pursuant to this chapter.

“Net capital gain” is as defined in Internal Revenue Code Section 1222 and related sections.

“Credit asset” means a capital asset acquired by an angel investor taxpayer who was eligible to claim the tax credit allowed pursuant to this chapter with respect to the acquisition.

In a separate computation each tax year, the angel investor taxpayer must attribute the net capital gain on credit assets to each credit asset in the ratio that the long term capital gain on each separate credit asset as a proportion of all such long term gain bears to the required net capital gain reduction. If cumulative net capital gain on a credit asset multiplied by 7% equals the total credit claimed on the credit asset, the excess of the net capital gain attributable to this credit asset over that necessary to produce the total credit amount in the computation is deducted from the required reduction.

If an angel investor taxpayer recognized net capital loss on the sale or exchange of credit assets in a tax year in an amount equal to or less than the total of tax credits claimed on those credit assets, then there is added to the angel investor taxpayer's South Carolina taxable income for that tax year the amount of the net capital loss on those credit assets not to exceed the tax credits claimed on those credit assets.

If an angel investor taxpayer recognized net capital loss on the sale or exchange of credit assets in a tax year in an amount greater than the amount of the tax credits claimed on those credit assets, then there is added to the angel investor taxpayer's South Carolina taxable income for that tax year the amount of the tax credit claimed on those credit assets. “Net capital loss” is as defined in Internal Revenue Code Section 1211(b), not including the limitation imposed pursuant to Section 1211(b)(1).

Social Security Privacy Act Disclosure
It is mandatory that you provide your social security number on this tax form if you are an individual taxpayer. 42 U.S.C. 405(c)(2)(C)(i) permits a state to use an individual's social security number as means of identification in administration of any tax. SC Regulation 117-201 mandates that any person required to make a return to the SC Department of Revenue shall provide identifying numbers, as prescribed, for securing proper identification. Your social security number is used for identification purposes.

The Family Privacy Protection Act
Under the Family Privacy Protection Act, the collection of personal information from citizens by the Department of Revenue is limited to the information necessary for the Department to fulfill its statutory duties. In most instances, once this information is collected by the Department, it is protected by law from public disclosure. In those situations where public disclosure is not prohibited, the Family Privacy Protection Act prevents such information from being used by third parties for commercial solicitation purposes.