Angel Capital Association

The Angel Capital Association (ACA) is the North American professional society of angel groups and private investors that invest in high growth, early-stage ventures. The Angel Capital Association provides professional development for angel groups, family offices and private investors, delivers services and benefits to support the success of ACA member portfolio companies and serves as the promotional voice for the North American angel community and the public policy voice for the US professional angel community.

- 170 member angel groups
- 7,500 accredited investors in member groups
- 20 affiliated organizations
- Present in 44 states

ACA Tax priorities

Balanced tax incentives

Angels invest in the kind of innovative start-up companies that create high quality new jobs. Many of these promising firms need capital, mentoring, and other support to hire new people and develop new innovations.

In order to promote investment and minimize risk, Angel Capital Association (ACA) members favor a combination of low capital gains taxes in truly early-stage businesses and a tax credit to catalyze more investments in innovative start-up businesses. Low capital gains taxes are often cited as a key reason for the growth in angel investment in the past decade and tax credits have been used by more than 20 states to increase the flow of capital to entrepreneurs.

Investing in American innovation and jobs

Entrepreneurs are critical to job creation. From 1980 to 2005, firms less than five years old accounted for all net job growth in the United States*. And, angel investors provide the majority of outside equity funding for startup and early stage firms. In 2009, one study estimates that angels funded more than 97 percent of the 45,000 companies that received seed and early stage equity investment. Angels typically invest in innovative companies that have the potential to grow exponentially.

Growth through entrepreneurship is uniquely American and needs to be supported if it is to continue to grow the economy.

*Sources: Data from the Census Bureau and analysis by the Ewing Marion Kauffman Foundation.
Exemption

As part of the Small Business Jobs Act of 2010, a section was included to exempt 100% of angel investment in qualified small business from January 1, 2010 to January 1, 2011 from capital gains (Section 2011), held for at least five years before the stock is sold. Without an extension, however, investments made in small businesses in 2012 will not receive the same exemption. In the current Congress, Senator Olympia J. Snowe (R-ME) has introduced bipartisan legislation, S.2050, co-sponsored by Senators Scott Brown (R-MA), Senator Barbara A. Mikulski (D-MD), Senator Kirsten Gillibrand (D-NY), and Senator Mary Landrieu (D-LA), which would extend the tax exclusion retroactively for angel investment through the end of 2012. The ACA supports Senator Snowe’s Legislation and favors a permanent 100% exemption of angel investment in qualified small business.

Standard Rate

ACA also favors keeping the current capital gains standard rate at 15%. This tax rate allows angels to make productive investments, and increasing it would have an effect on the appetite for investment in early-stage ventures.

Tax Credit

Beyond exemptions, ACA members favor a tax credit to further incentivize investments in early-stage businesses. Many states, like Colorado and Arizona, provide tax credits which vary according to the state, but are aimed at increasing investment appetite in start-ups. Senator Mark Pryor (D-AR) has introduced S. 256, the American Opportunity Act of 2011. This bill would provide a 25% tax credit for qualified angel investment.

Well-designed tax credits in many states have already led to increased angel investment and impact:

- Wisconsin – tax credits have increased angel network investment by more than 30 times, from $1.7 million in 2004 to $59 million in 2011
- Ohio – tax credits of $28.5 million have generated $109.8 million in private investment, a 4:1 leverage
- Kansas – in 2010, $5.7 million in tax credits created or saved 238 jobs and an annual payroll of $36.6 million