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investments in early-stage businesses will make it harder for young technology companies to raise the capital they need to survive and thrive.

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July 26—Investor groups say the upcoming expiration of a state tax credit designed to spur investments in early-stage businesses will make it harder for young technology companies to raise the capital they need to survive and thrive.

“It is clearly going to hurt us at the very time we need to encourage early-stage investments,” said Elaine Bolle, president of RTP Capital, a group of nearly 40 local angel investors. The group of wealthy individuals has collectively invested in about 10 startups over the past two years.

“Early-stage companies create jobs,” Bolle said. “They are the biggest source of jobs.”

The Qualified Business Tax Credit, which is set to expire Jan. 1, is a casualty of the new tax structure approved by the Republican-dominated legislature and signed by Gov. Pat McCrory. The trade-off for wholesale cuts in both corporate and personal income taxes was the elimination of 48 of the more than 300 tax breaks on the books.

“It is very hard for me to understand why this credit was cancelled,” Bolle said. “It goes against our reputation as an entrepreneurial center, a research center.”

The tax credit gives investors in early-stage firms a tax credit of up to 25 percent. That is, for every \$1,000 invested, investors receive a tax credit of up to \$250. The credit is capped at \$50,000 a year per investor.

Investors in companies registered with the N.C. Secretary of State's offices that have less than \$5 million in annual revenue, excluding certain businesses such as real

estate and retail enterprises, are eligible for the tax credit.

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The tax credit was excluded from the Republican tax plan. And a separate bill introduced in the House to extend the tax credit went nowhere even though it attracted 4 primary sponsors — all Republicans — plus 40 co-sponsors that crossed party lines. That amounts to one-third of the House members.

The primary bill sponsors couldn't be reached for comment.

Two industry trade groups, the N.C. Biosciences Organization and the N.C. Technology Association, lobbied to retain the credit.

Entrepreneurs and investors tout the “multiplier effect” of the investments that the tax credit encourages.

A 2009 study by NCBIO found that, between 1999 and 2008, companies registered with the state accounted for \$62 million in tax credits. Those same companies attracted more than \$2 billion in capital during that span.

Brooks Raiford, president and CEO of NCTA, said he hasn't given up on the “the notion that the state should have some incented tax structure for individuals who invest in early-stage companies.”

Bobby Bahram, managing partner of Excelerate Health Ventures, creator and operator of a new angel fund called the Physician Fund that invests in startup health care companies, has seen the value of the tax credit first-hand.

Bahram previously was co-founder of RadarFind, which sold wireless technology to help hospitals keep tabs on medical equipment and patients. The company had 24 employees when it was acquired in 2009.

‘Not a perfect world’

Bahram said RadarFind wouldn't have been able to raise its initial round of \$1

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companies.”

Taylor said that, in a perfect world, the state would have both a lower income tax and a tax credit to encourage investment in young technology companies.

“Obviously,” he added, “it’s not a perfect world.”

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