



TESTIMONY

HB 2045

Angel Investment Tax Credit Program

House Committee on Commerce, Labor, and Economic Development

January 13, 2021

Jeff Shackelford, President/CEO Enterprise Center in Johnson County

Dear Chairman Tarwater, Vice Chairman Long, Ranking Minority Member Clayton, members of the committee, thank you for the opportunity to stand before you today as a proponent of extending and modifying the Angel Investment Tax Credit Program.

My name is Jeff Shackelford and I am the President and CEO of the Enterprise Center in Johnson County (ECJC) and the executive director of MidAmerica Angels (MAA) investment network.

The Enterprise Center is a 25-year-old non-profit organization that helps entrepreneurs grow by providing connections to capital, entrepreneur education, and mentoring. We provide programs targeted to first-time business owners, seasoned entrepreneurs, businesses looking to scale, as well as women and minority founders. We provide access to capital by way of angel funding, seed funding, and micro-loans. Our capital networks also create ways for high-net worth individuals to support economic development in their own communities by investing in startups through our capital deployment programs. From the onset, ECJC's mission has been to stimulate business creation and employment, and ECJC-supported companies have had a \$3 billion+ economic impact during the last 10 years.

MidAmerica Angels network is the premiere regional source of early-stage capital for high-growth potential companies. With chapters in Kansas City, Topeka, Manhattan and St. Joseph, MO and the Women's Capital Connection, over 140 local investors are dedicated to identifying and funding the most promising start-up business opportunities in the Kansas region. We typically fund deals ranging from \$250,000 to \$1 million, deals not typically served by venture capitalists. MAA was founded in 2006, and we have invested more than \$30 million private capital in 121 regional early-stage ventures. The vast majority of our investments have been in Kansas companies, and virtually all of them have utilized Angel Investment Tax Credits.

When early-stage Kansas entrepreneurs pitch to potential investors, the very first question asked is: "Do you qualify for Angel Investment Tax Credits?" If they do, the interest level of the investors is immediately and significantly heightened.

It's no secret that early-stage capital carries higher risk than your average small-cap mutual fund. That's why we do exhaustive due diligence to ensure that MAA investors are well-informed before making their investment decisions. Angel Investment Tax Credits are an essential tool for our angel network to use in mitigating the risk of early-stage investment. The existing tax credits also make Kansas companies

more attractive to investors—from Kansas or any other state. It allows angel investors to leverage their real investment in a company—and in some cases, encourages investor to tolerate a bit more risk or make a larger investment than they normally would.

For a decade, Kansas has been a national leader in the angel investment world—investors have grown our state’s wealth and Kansas companies have benefitted. But the real winners have been Kansas taxpayers—Kansas companies benefitting from this program have raised over \$486M in working capital and created over 2,600 Kansas jobs. For every \$1 in tax credits, almost \$7 in capital is raised, and when significant capital is raised, new Kansas jobs are created. In short, this credit has directly created jobs, better leveraged private dollars, attracted new capital to Kansas and, most importantly, helped startup companies secure the capital they need to accelerate forward and create new Kansas jobs.

The going isn’t easy for an early-stage business trying to get off the ground in Kansas. Running a startup isn’t easy and it shouldn’t be, but in Kansas, early-stage businesses and startups fight more of an uphill battle than early-stage businesses in surrounding states. We lack the density and connected networks of Silicon Valley or Boston, we lack statewide proof-of-concept and early-seed investment programs, but Kansas companies have one unique benefit—the Angel Investment Tax Credit. This program is critical for our state’s ability to grow and rapidly expand early-stage businesses that will mature into many of the state’s largest future employers.

We urge your support for HB 2045. Thank you for your time today. I’m happy to stand for questions at the appropriate time.

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