

Where **Art** Meets **Science**

PlaneWave has developed a collaborative science and art campus in Adrian, MI that houses our manufacturing facilities, the Adrian Center for the Arts, and the Sam Beauford Woodworking Institute. We continue to develop the campus as a resource for our community to engage with science and art while we design and produce the best telescopes in the world.

DID YOU KNOW?

PlaneWave was the first telescope maker in the world to produce observatory class telescopes like Henry Ford made cars - identical to each other and continuously improved!



PlaneWave.com | +1 (310) 639-1662
1375 North Main Street, Adrian, MI 49221



Through vertical integration, our dedicated team of experts adapts and refines every PlaneWave product in the pursuit of building the perfect telescope at an unprecedented value.

HB4116

HB4116 is designed to encourage Michigan residents to make financial investments in Michigan businesses. The incentive comes in the form of a state tax credit that is equal to 50% of the amount invested.

WHY SHOULD MICHIGAN SEEK TO INCENTIVIZE THIS KIND OF INVESTMENT?

Michigan communities, and in particular community-based businesses, frequently face a capital 'desert'. The problem is significant and systemic, involving the global economy, large multi-national, national, and regional businesses, traditional sources of capital, and traditionally underserved geographic and/or sector communities.

- The global economy and large business are designed to harvest capital from our communities, not to invest in them
- The banking industry, beset by mergers and acquisitions, features fewer and fewer truly local or community banks. Regional and national capital sources like these also, on balance, harvest more capital from our communities than they invest
- For decades and longer, traditionally underserved communities have seen their capital harvested, so much so that there is little real capital available in many of those communities. Capital that turns up in a Detroit residence stays in the city for a matter of only hours on average

To address this, a growing movement we call Community Capital is using local investors to address this capital desert. In this movement, non-accredited investors - also sometimes referred to as 'retail' investors - (over 90% of the population), make direct financial investments into community-based businesses. This supports and/or makes it possible for these businesses to become established and to grow, and knits the community investors and the community businesses together in powerful and sustainable ways.

HOW DOES COMMUNITY CAPITAL WORK?

Community Capital works by utilizing recent changes in federal law and creative use of some long-standing laws, coupled with advances in technology and software. The technology allows for the management of large numbers of

investors, and the changes in law allow the vast majority of US citizens to make direct investments into local businesses and real estate.

- Investment crowdfunding by non-accredited investors became legal in 2012, and operational nationally in 2016
- Platforms that provide a place for companies to offer investment opportunities to the general public were established beginning in 2013 and have grown to over 50 platforms across the country
- Investment crowdfunding reached the milestone of a billion dollars in 2021

WHAT WOULD HB4116 DO IN THIS MOVEMENT?

The Community Capital movement is challenged by being new, by not having an eco-system of professionals across the country or in many communities, and by the perspectives of high-visibility venture capital projects and investors who look for big returns and quick exits.

Like 'Buy Local' and 'Local Food' and 'Slow Money' movements, Community Capital seeks to invest and recirculate money in local communities, thereby increasing local individual and community wealth. It seeks to fill the void left from the loss of local banks and to address the flight of capital from all of our communities by changing the paradigm of how we fund and sustain local businesses, and how we build local wealth.

- HB4116 would endorse the practice of local investments and local investors by creating a state incentive for local investing
- HB4116 would encourage local investing by providing an income tax credit that adds a benefit in addition to potential returns on investments and the benefits of a vibrant local business community
- HB4116 would support community and local wealth building on a project by project and community by community basis

HB4116 will provide a huge advantage to Michigan businesses and Michigan communities by making new capital available that has previously exited or laid dormant in our communities and state. This capital will start and sustain new businesses as well as support existing businesses, and will in turn build local individual and local community wealth.

The Nova Scotia Economic Development Investment Fund

The Nova Scotia Economic Development Investment Fund began operating in Nova Scotia in 1999. It is an investment pooling mechanism, creating a fund used to support new and existing small businesses in Nova Scotia. Like what would be created by Michigan HB4116, the incentive for Nova Scotians who invest is a provincial income tax credit.

The Nova Scotia income tax credit begins at 35%, and the longer investments are kept in the fund, the greater the size of the tax credit, topping off at 65% when left for 15 years.

Scholarly research was completed on the fund for the first time in 2020, and the results were published in Spring 2021.

The following are high-level results of the investments and disbursements that took place in 2019:

- Citizen investors put an aggregate total of \$2 million dollars into the fund
- The province provided \$700,000 in tax credits to those investors
- The fund invested in 116 small businesses
- Those businesses created 1,200 FTEs
- The employees were paid \$52 million in wages and salaries
- The province received \$25 million in taxes
- The cost to the government for the job creation was \$583.00 per job (\$700,000 divided by 1,200 jobs created)

HB4116/SB13

House bill HB4116 and Senate bill SB13, introduced by Rep Bronna Kahle and Senator Dale Zorn respectively, are identical bills designed to encourage Michigan residents to make direct financial investments in new or existing Michigan businesses. The bills provide a first in the nation state income tax credit equal to 50% of an investment made by a Michigan resident into a Michigan business*.

This new kind of investing has been made possible by the adoption of new state and federal legislation that empowers all community members to become investors in their own communities.

From 1933 until the passage of the Jobs Act in 2012, it was nearly impossible for most citizens to make legal direct investments in businesses. Shortly after the establishment of the federal Securities and Exchange Commission (SEC) during the Great Depression, the SEC divided the investment world into accredited investors – the very wealthy – and non-accredited investors, the rest of us. That division persists until today with over 90% of the US population falling into the non-accredited investor side of the equation.

Today, Regulation Crowdfunding on a federal level, and state-based legislation like Michigan's MILE Act , (Michigan Invests Locally Exemption), provide opportunities for all investors to make financial investments in local businesses. This legislative change has been aided by technology, where management of deals that included large numbers of investors has been automated and supported by hardware and software, rendering it possible to manage capital raises and meet reporting requirements in a cost-effective manner. At present more than 50 websites are in place across the country that facilitate and manage these kinds of capital raises.

This kind of investing is uniquely and powerfully beneficial to local communities, to residents, to local and state governments, to tax base, and to start-ups and existing businesses alike. This kind of investing promotes local and individual wealth-building, supports new and existing businesses, creates unique communities, and supplements or replaces incentives and tax breaks local and state governments have historically provided. In an era when local or state government have few resources, and - as demonstrated during COVID, where availability of resources to help businesses was dramatically outstripped by demand - local capital, sourced from members of the community, can be a game-changer.

HB4116/SB13 provide an opportunity to accelerate this local investing movement by incentivizing Michigan citizens who invest in Michigan businesses. The bills provide a State of Michigan income tax credit valued at 50% of the amount of money any Michigan resident invests in a Michigan business. The bills also provide a carry-forward feature, that gives

investors up to 10 years to carry the state income tax credit forward if an investor does not have a state income tax liability equal to the amount of the incentive.

New and existing businesses, in particular local and Michigan businesses, are the most significant job-creators in our economy, and are much more likely to circulate dollars in Michigan communities than regional or national businesses whose business model is designed to extract wealth from local communities. It makes sound financial sense to encourage investments in Michigan businesses because they build local and state property tax base, contribute resources to our schools, enlarge our sales tax base, create and sustain employment, and help us build unique local communities that make Michigan attractive to visitors and potential transplants who are looking for a great quality of life.

Entrepreneurs building new businesses will find it easier to build in Michigan with the passage of this law. States across the country are putting more and more resources into tools that support and grow start-up businesses, but getting sufficient capital remains a significant problem for the overwhelming majority of start-ups, and a challenge to many existing businesses. By incentivizing Michigan investors, more capital for start-up and existing businesses will be available for our business community.

For traditionally underserved communities, access to traditional sources of capital is particularly problematic, but the passage of HB4116/SB13 and the incentivizing of local investing can be an important tool for bringing capital to every entrepreneur, but perhaps particularly useful in these underserved communities.

The local capital movement continues to grow, and Michigan is one of the leading states in the use of local capital, in particular because of the MEDC/MML/Patronicity Public Spaces Community Places program, where over 270 projects have matched local donors with state funding. Our communities understand the power of pooling local resources to accomplish important projects, and Michigan has led the nation in incentivizing these projects.

Investment crowdfunding has also grown significantly and ultimately offers much more powerful benefits as we convert donors into investors. 2020 saw a dramatic increase in these kinds of community and non-accredited investment projects nationally, with over \$225 million dollars raised from over 350,000 investors for over 1,100 companies; roughly double the amount of funding/investors/companies as 2019.

In sum, HB4116/SB13 will provide Michigan with a strategic advantage by incentivizing investment in Michigan businesses. It will do this while also creating opportunities for all Michigan residents to become investors in their own communities in ways impossible until now. Michigan should take this opportunity to lead the US by incentivizing its own citizens to help build stronger local economies and pass HB4116/SB13.

* as defined by the IRS and specified in the legislation