

# Intrastate Securities Exemptions With Intrastate Equity Crowdfunding Rules

By David M. Freedman and Matthew R. Nutting,  
authors of *Equity Crowdfunding for Investors* (Wiley, 2015)

The following table summarizes the intrastate securities exemptions to date. Below the table you will find more details for each state.

<b>Intrastate Securities Exemptions (as of January 27, 2016)</b>				
<b>State</b>	<b>Year Enacted</b>	<b>Annual Raise Limit (\$)</b>	<b>Investment Limit for Non-accredited Inv's</b>	<b>Equity Crowdfunding Portals?</b>
Alabama	2014	1 million	\$5,000 / year	Allowed
Arizona	2015	2.5 million	\$10,000 / deal	Required
Colorado	2014	2 million	\$5,000 / deal	Allowed
Dist. of Columbia	2014	2 million	Based on income/worth	Allowed
Florida	2015	1 million	\$10,000 / deal	Allowed
Georgia	2011	1 million	\$10,000 / deal	Allowed
Idaho	2012 <sup>1</sup>	2 million	\$2,500 / deal	Not yet determined
Illinois	2015	4 million	\$5,000 / year	Allowed
Indiana	2014	2 million	\$5,000 / year	Required
Iowa	2015	1 million	\$5,000 / deal	Required
Kansas	2011	1 million	\$5,000 / deal	Allowed
Kentucky	2015	2 million	\$10,000 / deal	Required
Maine	2014	2 million	\$2,000 / deal	Allowed
Maryland	2014	100,000	\$100 / deal	Prohibited
Massachusetts	2015	2 million	Based on income/worth	Allowed
Michigan	2013	2 million	\$10,000 / year	Allowed
Minnesota	2015	2 million	\$10,000 / deal	Required
Mississippi	2015	1 million	Based on income/worth	Required
Montana	2015	1 million	\$10,000 / year	Allowed
Nebraska	2013	250,000/2yr	N/A	Prohibited
New Jersey	2015	1 million	\$5000 / deal	Required
Oregon	2015	250,000	\$2,500	Allowed
South Carolina	2015	1 million	\$5,000 / deal	Allowed
Tennessee	2015	1 million	\$10,000 / deal	Allowed
Texas	2014	1 million	\$5,000 / deal	Required
Vermont	2014	2 million	\$10,000 / deal	Allowed
Virginia	2015	2 million	\$10,000 / deal	Allowed
Washington	2014	1 million	Based on income/worth	Allowed
Wisconsin	2013	2 million	\$10,000 / deal	Required

<sup>1</sup> Year of first administrative order.

## **Crowdfunding Allowed or Required?**

We want to clarify one issue: There is a difference between intrastate *securities* exemptions and intrastate *equity crowdfunding* exemptions.

- In some states the broad intrastate *securities* exemption allows, but does not require, intrastate offerings to be listed on equity crowdfunding portals. These states include Alabama, Colorado, Florida, Georgia, Illinois, Kansas, Maine, Massachusetts, Michigan, Montana, Oregon, South Carolina, Tennessee, Vermont, Virginia, and Washington.
- Some states established narrow intrastate *crowdfunding* exemptions that *require* offerings to be made on crowdfunding portals. These states include Arizona, Indiana, Iowa, Kentucky, Minnesota, Mississippi, New Jersey, Texas, and Wisconsin.

## **State-by-State Details**

Following are more details for each state. Unless otherwise noted, all intrastate exemptions are authorized by Section 3(a)(11) of the Securities Act of 1933.

### **Alabama**

Date enacted: April 8, 2014

Law: Act No. 2014-376 (Senate Bill 44) <http://legiscan.com/AL/text/SB44/2014>

Offering limit per year: \$1 million

Investment limits for non-accredited investors: \$5,000 per year

Investment limits for accredited investors: unlimited

Notes: The law is silent on the use and operation of equity crowdfunding portals, i.e., equity crowdfunding is not prohibited.

### **Arizona**

Date enacted: April 15, 2015

Law: HB 2591 [www.scribd.com/doc/261268660/Fact-Sheet-Arizona-Crowdfunding-Law](http://www.scribd.com/doc/261268660/Fact-Sheet-Arizona-Crowdfunding-Law)

Offering limit per year \$2.5 million

Investment limits for non-accredited investors: \$10,000 per offering

Investment limits for accredited investors: unlimited

Notes: Registered funding portal is required.

### **Colorado**

Date enacted: March 27, 2014 (effective August 2015)

Law: House Bill 14-1079

[http://www.leg.state.co.us/clics/clics2014a/csl.nsf/fsbillcont3/322BBC9B699E9F1687257C360075E6C3?Open&file=1079\\_enr.pdf](http://www.leg.state.co.us/clics/clics2014a/csl.nsf/fsbillcont3/322BBC9B699E9F1687257C360075E6C3?Open&file=1079_enr.pdf)

Offering limit per year: \$2 million

Investment limits for non-accredited investors: \$5,000 per offering

Investment limits for accredited investors: unlimited

Notes: The law is silent on the use and operation of equity crowdfunding portals, i.e., equity crowdfunding is not prohibited.

### **District of Columbia**

Date promulgated: October 7, 2014

Regulation: “District of Columbia-only Securities Offerings Exemption”  
<http://www.dcregs.dc.gov/Gateway/NoticeHome.aspx?noticeid=5120938>

Offering limit per year: \$2 million

Investment limits for non-accredited investors: DC residents with less than \$100,000 income may invest \$10,000 per year; those with up to \$200,000 income may invest \$25,000; those with income more than \$200,000 are not limited.

Investment limits for non-accredited investors: none

## **Florida**

Date enacted: April 29, 2015

Regulation: HB 275 (SB 914)

<https://crowdfundinglegalnews.files.wordpress.com/2015/01/fl-hb-275.pdf>

Offering limit per year: \$1 million

Investment limit for non-accredited investors: greater of \$2,000 or 5% of income or net worth, if income or net worth is less than \$100,000. If income/worth is greater than \$100,000 limit for accredited investors applies.

Investment limit for accredited investors: 10% of income or net worth, whichever is more

Notes: General solicitation permitted after state filing of offering.

## **Georgia**

Date promulgated: December 8, 2011

Regulation: “Invest Georgia Exemption” Rule 590-4-2-.08

<http://rules.sos.state.ga.us/docs/590/4/2/08.pdf>

Offering limit per year: \$1 million

Investment limits for non-accredited investors: \$10,000 per deal

Investment limits for accredited investors: Unlimited

Notes: The law is silent on the use of equity crowdfunding portals. The Georgia Securities Division published “Understanding the Invest Georgia Exemption”

<http://sos.ga.gov/admin/files/UnderstandingtheIGESS-FINAL.pdf>

## **Idaho**

Date of administrative order: July 2, 2012

<http://www.finance.idaho.gov/securities/Actions/Administrative/2012/2012-7-02.pdf>

Law: Idaho Code §30-14-203 and §30-14-301 (Idaho Uniform Securities Act)

Offering limit per year: \$2 million

Investment limits for non-accredited investors: \$2,500 per investment

Investment limits for accredited investors: 10% of net worth per investment

Notes: An administrative order that permits equity crowdfunding has not yet been issued. See “New, Loosened Restrictions on Securities Offerings by Small Idaho Businesses” (3/28/12), written by Idaho law firm Hawley Troxell <http://www.hawleytroxell.com/2012/03/new-loosened-restrictions-on-securities-offerings-by-small-idaho-businesses/>

## **Illinois**

Date of legislation May 2015 (effective August 2015)

Law: amended HB 3429 (<https://crowdfundinglegalnews.files.wordpress.com/2015/05/hb-3429-final1.pdf>)

Offering limit per year: \$4 million  
Investment limits for non-accredited investors: \$5,000 per year  
Investment limits for accredited investors: none  
Notes: General solicitation permitted.

## **Indiana**

Date enacted: March 25, 2014  
Law: Public Law 106 (Senate Bill 375)  
<http://iga.in.gov/legislative/2014/bills/senate/375/#document-779e92ac>  
Offering limit per year: \$2 million  
Investment limits for non-accredited investors: \$5,000 per year  
Investment limits for accredited investors: Unlimited  
Notes: Offerings must be made exclusively through equity crowdfunding portals (so this law is properly referred to as an “intrastate crowdfunding exemption”). Portals must be registered broker-dealers to receive commission.

## **Iowa**

Date effective: December 30, 2015  
Law: HF 632 <https://legiscan.com/IA/text/HF632/id/1211657>  
Offering limit per year: \$1 million  
Investment limit for non-accredited investors: \$5,000 per offering  
Investment limit for accredited investors: no limit  
Note: Crowdfunding portal/platform required

## **Kansas**

Date enacted: August 12, 2011 (modified June 21, 2013)  
Law: “Invest Kansas Exemption,” K.A.R. §81-5-21  
[http://ksc.ks.gov/index.aspx?NID=175#R5\\_21](http://ksc.ks.gov/index.aspx?NID=175#R5_21)  
Offering limit per year: \$1 million  
Investment limits for non-accredited investors: \$5,000 per offering  
Investment limits for accredited investors: Unlimited  
Notes: It is not yet clear whether non-broker-dealer intermediaries (such as equity crowdfunding portals) may earn commission or remuneration.

## **Kentucky**

Date enacted: June 24, 2015  
Law: HB76 <http://www.lrc.ky.gov/record/15RS/HB76/bill.pdf>  
Offering limit per year: \$2 million  
Investment limit for non-accredited investors: \$10,000 per offering  
Investment limit for accredited investors: no limit  
Note: Crowdfunding portal/platform required.

## **Maine**

Date enacted: March 2, 2014  
Law: “An Act to Increase Funding for Start-ups,” SP-568/LD-1512  
[http://www.mainelegislature.org/legis/bills/bills\\_126th/billtexts/SP056801.asp](http://www.mainelegislature.org/legis/bills/bills_126th/billtexts/SP056801.asp)

Offering limit per year: \$2 million

Investment limits for non-accredited investors: \$2,000 per investment

Investment limits for accredited investors: Unlimited

Notes: Authorized by Rule 504 of Regulation D, *not* Section 3(a)(11) of the Securities Act.

## **Maryland**

Date enacted: May 15, 2104

Regulation: “Maryland Intrastate Small Business Exemption” (SB 811)

<http://www.oag.state.md.us/Securities/MISBEOrder.pdf>

Offering limit per year: \$100,000 (debt only)

Investment limits for non-accredited investors: \$100 per offering

Investment limits for accredited investors: \$100 per offering

Notes: Not an equity crowdfunding framework.

## **Massachusetts**

Date promulgated: January 15, 2015

Regulation: “Massachusetts Crowdfunding Exemption” (950 CMR 14.402(GB)(13)(o))

[http://www.sec.state.ma.us/sct/crowdfundingreg/Crowdfunding\\_MA\\_Regulation.pdf](http://www.sec.state.ma.us/sct/crowdfundingreg/Crowdfunding_MA_Regulation.pdf)

Offering limit per year: \$2,000,000

Investment limits for non-accredited investors: \$2,000 to \$5,000 (depending on income and net worth) per offering

Investment limits for accredited investors: \$100,000 per offering

Notes: Crowdfunding is permitted, not required; only broker-dealers and agents can earn commissions.

## **Michigan**

Date enacted: December 26, 2013

Regulation: Public Act 264 (HB 4996) <http://www.legislature.mi.gov/documents/2013-2014/publicact/pdf/2013-PA-0264.pdf>

Offering limit per year: \$2 million

Investment limits for non-accredited investors: \$10,000 per year (to be adjusted for inflation every five years)

Investment limits for accredited investors: Unlimited

Notes: Explicitly allows the use of “internet websites” to list offerings.

## **Minnesota**

Date enacted: June 2015

Law: “MNvest” <https://www.revisor.mn.gov/statutes/?id=80A.461>

Offering limit per year: \$2 million

Investment limits for non-accredited investors: \$10,000 per offering

Investment limits for accredited investors: Unlimited

Notes: offerings must be listed on “MNvest portals,” i.e., registered crowdfunding sites

## **Mississippi**

Date promulgated: April 23, 2015

Regulation: Rule 2.04 (“Invest Mississippi Crowdfunding”)

<http://www.sos.ms.gov/ACProposed/00021012b.pdf>

Offering limit per year: \$1 million

Investment limit for non-accredited investors: greater of \$5,000 or 5% of income or net worth

Investment limit for accredited investors: 10% of income or net worth

Notes: Similar to Title III of the JOBS Act; Internet funding portal required

## **Montana**

Date enacted: July 1, 2015

Law: HB481 [http://leg.mt.gov/bills/2015/hb0499/HB0481\\_x.pdf](http://leg.mt.gov/bills/2015/hb0499/HB0481_x.pdf)

Offering limit per year: \$1 million

Investment limit for non-accredited investors: \$10,000 per year

Investment limit for accredited investors: no limit

Notes: No mention of crowdfunding or funding platforms, so crowdfunding is neither prohibited nor required.

## **Nebraska**

Date enacted: May 8, 2013

Regulation: Legislative Bill 205 <http://legiscan.com/NE/text/LB205/id/843662>

Offering limit per year: N/A

Investment limits for non-accredited investors: N/A

Investment limits for accredited investors: N/A

Notes: The law does not permit “public offering” offering of securities, i.e., no crowdfunding.

## **New Jersey**

Date enacted: July 2015 (signed November 2015)

Legislation: Senate #712 (216<sup>th</sup> Leg.) [www.njleg.state.nj.us/2014/Bills/S1000/712\\_I1.pdf](http://www.njleg.state.nj.us/2014/Bills/S1000/712_I1.pdf)

Offering limit per year: \$1 million

Investment limits for non-accredited investors: \$5,000 per offering

Investment limits for accredited investors: None

Notes: Internet portal required

## **Oregon**

Date enacted: December ?, 2014 (effective January 2015)

Law: ORS 59.035 a.k.a. Oregon Intrastate Private Offering (OIPO)

[www.cbs.state.or.us/dfcs/rules\\_statutes/new\\_legislation/441-035proposed.pdf](http://www.cbs.state.or.us/dfcs/rules_statutes/new_legislation/441-035proposed.pdf)

Offering limit per year: \$250,000

Investment limits for non-accredited investors: \$2,500

Investment limits for accredited investors: \$2,500

Notes: Business plan must be reviewed and approved by authorized agency known as BTSP. Crowdfunding portals may charge a “hosting” fee, but not commission on sales.

## **South Carolina**

Date enacted: June 26, 2015

Regulation: “Intrastate Offering Exemption,” SC Code of Regs Rule 13-206  
<http://www.scag.gov/wp-content/uploads/2011/05/Intrastate-Offering-Website-00650855xD2C78-3.pdf>

Offering limit per year: \$1 million

Investment limits for non-accredited investors: \$5,000

Investment limits for accredited investors: None

Notes: No mention of Internet portals or crowdfunding platforms.

## **Tennessee**

Date enacted: May 19, 2014 (effective January 1, 2015)

Law: “Invest Tennessee Exemption,” Public Chapter 943 (Senate Bill 1481)

<http://www.tn.gov/sos/acts/108/pub/pc0943.pdf>

Offering limit per year: \$1 million

Investment limits for non-accredited investors: \$10,000 per offering

Investment limits for accredited investors: Unlimited

Notes: The law is silent on the use and operation of equity crowdfunding portals, i.e., equity crowdfunding is not prohibited.

## **Texas**

Date enacted: effective November 17, 2014

Law: Texas Administrative Code, Title 7, Part 7, Chapter 139, Rule §139.25

[http://info.sos.state.tx.us/pls/pub/readtac\\$ext.TacPage?sl=R&app=9&p\\_dir=&p\\_rloc=&p\\_tloc=&p\\_ploc=&pg=1&p\\_tac=&ti=7&pt=7&ch=139&rl=25](http://info.sos.state.tx.us/pls/pub/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=139&rl=25)

Offering limit per year: \$1 million

Investment limits for non-accredited investors: \$5,000 per offering

Investment limits for accredited investors: Unlimited

Notes: This law applies only to offerings made through equity crowdfunding portals. The Texas State Securities Board published a guide for investors:

[http://www.ssb.state.tx.us/Important\\_Notice/Information\\_for\\_Investors.php](http://www.ssb.state.tx.us/Important_Notice/Information_for_Investors.php)

## **Vermont**

Date promulgated: June 16, 2014

Regulation: Rule No. S-2014-1

<https://crowdfundinglegalnews.files.wordpress.com/2015/01/vermont-crowdfunding-exemption.pdf>

Offering limit per year: \$2 million

Investment limit for non-accredited investors: \$10,000 per *offering*

Investment limit for accredited investors: No limit

Notes: Reg is silent on crowdfunding portals; general solicitation limited.

## **Virginia**

Date enacted: July 31, 2015

Regulation: 21VAC5-40-190: Intrastate Crowdfunding Exemption (Case No. SEC-2015-00014) [https://scc.virginia.gov/srf/s\\_15\\_14f.pdf](https://scc.virginia.gov/srf/s_15_14f.pdf)

Offering limit: \$2 million/year

Investment limits for non-accredited investors: \$10,000 per offering

Investment limits for accredited investors: Unlimited

Notes: Online funding portal allowed but not required. Non-broker-dealer portals must meet SEC and FINRA requirements.

## **Washington**

Date enacted: March 12, 2014

Law: House Bill 2023 <http://apps.leg.wa.gov/documents/billdocs/2013-14/Pdf/Bills/House%20Passed%20Legislature/2023-S.PL.pdf>

Offering limit per year: \$1 million

Investment limits for non-accredited investors: (a) the greater of \$2,000 or 5% of annual income or net worth, if either income or net worth is less than \$100,000; or (b) 10% of annual income or net worth if either is at least \$100,000.

Investment limits for accredited investors: Same as above.

Notes: The law is referred to as “an act relating to allowing crowdfunding for certain small securities offerings,” but use of an equity crowdfunding portal is not required.

## **Wisconsin**

Date enacted: November 8, 2013

Law: Wisconsin Statute §551.202(26) and §551.205

<http://docs.legis.wisconsin.gov/statutes/statutes/551/II/202/26>

Offering limit per year: \$2 million

Investment limits for non-accredited investors: \$10,000 per offering

Investment limits for accredited investors: Unlimited

Notes: Offerings must be made through equity crowdfunding portals.

## **About the Authors**

David M. Freedman ([www.freedman-chicago.com](http://www.freedman-chicago.com)) has worked as a financial and legal journalist since 1978. He writes a weekly column on crowdfunding for Accredited Investor Markets; and serves on the editorial staff of *The Value Examiner* (NACVA), which focuses on business valuation and forensic accounting.

Matthew R. Nutting practices corporate law with the Fresno, CA, firm Coleman & Horowitz ([www.ch-law.com](http://www.ch-law.com)). He advises on all facets of business law, including rewards-based and securities-based crowdfunding. He is a director of the National Crowdfunding Association and served as its national legal affairs director. He is also the cofounder of CrowdPassage.com.

Freedman and Nutting are authors of *Equity Crowdfunding for Investors: A Guide to Risks, Rewards, Regulations, Funding Portals, Due Diligence, and Deal Terms* (Wiley & Sons, 2015). For details, visit [www.ec4i.com](http://www.ec4i.com).