

2007 DRAFTING REQUEST

Bill

Received: **01/14/2008**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB:

For: **Jim Sullivan (608) 266-2512**

By/Representing: **matt**

This file may be shown to any legislator: **NO**

Drafter: **jkreye**

May Contact:

Addl. Drafters: **csundber**

Subject: **Tax, Business - credits
Econ. Development - bus. dev.**

Extra Copies:

Submit via email: **YES**

Requester's email: **Sen.Sullivan@legis.wisconsin.gov**

Carbon copy (CC:) to:

Pre Topic:

No specific pre topic given

Topic:

Angel and early stage investment credits; technology loans and grants

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/P1	jkreye 01/14/2008 csundber 01/17/2008 jkreye 01/31/2008	lkunkel 01/29/2008 lkunkel 02/01/2008	rschluet 01/29/2008	_____	cduerst 01/29/2008		State
/P2	jkreye 02/04/2008	lkunkel 02/05/2008	pgreensl 02/01/2008	_____	cduerst 02/01/2008		State

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/P3	jkreye 02/08/2008	lkunkel 02/08/2008	nmatzke 02/06/2008	_____	sbasford 02/06/2008		State
/1			nmatzke 02/08/2008	_____	sbasford 02/08/2008	sbasford 02/08/2008	State

FE Sent For:

*et
intro*

<END>

2007 DRAFTING REQUEST

Bill

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For: Jim Sullivan (608) 266-2512

By/Representing: matt

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May Contact:

Addl. Drafters: csundber

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Carbon copy (CC:) to:

Handwritten note in a circle: "Please Jacket Mark 1" with a signature "jve" below it.

Pre Topic:

No specific pre topic given

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	csundber 01/17/2008	lkunkel 02/01/2008		_____			
	jkreye 01/31/2008			_____			
/P2	jkreye 02/04/2008	lkunkel 02/05/2008	pgreensl 02/01/2008	_____	cduerst 02/01/2008		State

2007 DRAFTING REQUEST

Bill

Received: 01/14/2008

Received By: jkreya

Wanted: As time permits

Identical to LRB:

For: Jim Sullivan (608) 266-2512

By/Representing: matt

This file may be shown to any legislator: NO

Drafter: jkreya

May Contact:

Addl. Drafters: csundber

Subject: Tax, Business - credits
Econ. Development - bus. dev.

Extra Copies:

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Requester's email: Sen.Sullivan@legis.wisconsin.gov

Carbon copy (CC:) to:

Pre Topic:

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/P1	jkreya 01/14/2008 csundber 01/17/2008 jkreya 01/31/2008	lkunkel 01/29/2008 lkunkel 02/01/2008	rschluet 01/29/2008	_____	cduerst 01/29/2008		State
/P2			pgreensl 02/01/2008 nwn 2/6	_____	cduerst 02/01/2008		State

Handwritten notes:
 /p3/mk 2/5
 nwn/rs
 2/6

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<END>

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Wanted: As time permits

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For: Jim Sullivan (608) 266-2512

By/Representing: matt

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Drafter: jkreye

May Contact:

Addl. Drafters: csundber

Subject: Tax, Business - credits
Econ. Development - bus. dev.

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/P1	jkreye 01/14/2008 csundber 01/17/2008	lkunkel 01/29/2008	rschlue 01/29/2008	_____	cduerst 01/29/2008		State

Handwritten notes:
/p2/mk 2/1
2/1
2/1
1/28
pg
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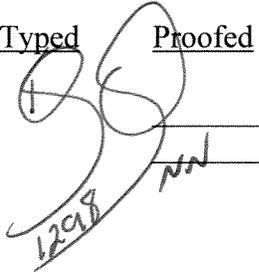
Angel and early stage investment credits; technology loans and grants

Instructions:

See Attached

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/P1	jkreye	plmk/A					
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FE Sent For:

<END>

Kreye, Joseph

From: Swentkofske, Matthew
Sent: Monday, January 14, 2008 10:38 AM
To: Sundberg, Christopher; Kreye, Joseph
Cc: 'nina.carlson@wisconsin.gov'
Subject: Drafting request

Attachments: Act 255 legislative proposals side by side.xls

Christopher and Joseph,

I emailed both of you because it seems you work collaboratively on most angel tax credit legislation. Attached is language for proposed language that Jim wants drafted on behalf of the Governor. The spreadsheet column under the heading Governor are the changes Jim wants under Chapter 255. There is also a description at the bottom as well.

Please let me know if you have any questions.

Thanks.

Matt Swentkofske
Office of Senator Jim Sullivan
5th Senate District
matthew.swentkofske@legis.wisconsin.gov
608-266-2512



Act 255 legislative
proposals ...

Accelerate Wisconsin Tax Credit Increases

Through the 2007-09 state budget, the Governor increased the total amount of angel investor and venture capital tax credits available by \$5 million per year. By 2015, the total amount of Accelerate Wisconsin tax credits will reach \$100 million, leveraging a minimum of \$400 million in private investment. Under current law, the Department of Commerce certifies a company as a Qualified New Business Venture (QNBV). Once certified, investors that invest in this company are eligible to receive Accelerate Wisconsin tax credits for their investments. Currently, the maximum amount of creditable investment per company under Accelerate Wisconsin is \$4 million per year. Of this \$4 million, up to \$1 million may come from angel investment. Therefore, if an angel investor invests \$1 million in the company, he is eligible to receive tax credits for that investment. The company can then receive up to \$3 million that year in venture capital investment—any angel or venture capital investment beyond the \$4 million total cap is non-creditable.

To increase flexibility for entrepreneurs seeking tax creditable investment, the Governor proposes to raise the cap on Accelerate Wisconsin tax credits for investments by angel investors from \$1 million to \$4 million. While the overall cap of \$4 million in creditable investment remains the same, this new proposal will allow entrepreneurs to choose any mix of eligible angel and venture capital, and will provide the Department of Commerce more flexibility to respond when there is uneven demand for the angel and venture credits.

Act 255 Legislative Proposals (Accelerate Wisconsin)

	Current Law	SB 293	SB 334	Governor
Total Credits Available in all taxable years (10 year program)	venture--\$52,500,000 angel--\$47,500,000 total--\$100,000,000	venture--\$102,250,000 angel--\$87,750,000 total--\$190,000,000	venture--\$65,000,000 angel--\$65,000,000 total--\$130,000,000***	venture--\$52,500,000 angel--\$47,500,000 total--\$100,000,000
Total Credits Available per year	venture--\$6,000,000 angel--\$5,500,000 total--\$11,500,000	venture--\$10,225,000 angel--\$8,775,000 total--\$19,000,000	venture--\$6,500,000 angel--\$6,500,000 total--\$13,000,000***	venture--\$6,000,000 angel--\$5,500,000 total--\$11,500,000
Available Credits for an individual/company, by source	venture--not more than \$4,000,000 angel--not more than \$1,000,000 total--\$4,000,000	maintains status quo	maintains status quo	total--\$4 million from any source can be claimed per company
Eligible Claiming Entity	Investors can claim up to \$1 million in angel investing and up to \$4 million in venture investing (not to exceed \$4 million total for both angel and venture)	maintains status quo	maintains status quo	Investors can claim up to \$4 million invested per company from either angel or venture investing, (not to exceed \$4 million total for both angel and venture)
Eligibility	Current definition of QNBV (fewer than 100 employees; start-up stage only, i.e. no testing or production)	Current definition of QNBV (fewer than 100 employees; start-up stage only, i.e. no testing or production)	Businesses of any size (preference for businesses that have fewer than 100 employees) Businesses that are in start-up stage Businesses that are testing or producing a product at the time they seek QNBV certification	Current definition of QNBV (fewer than 100 employees; start-up stage only, i.e. no testing or production)
Fiscal Effect	maintains the status quo	The Department of Revenue estimates that the increase in credits will cause GPR revenue to decrease by \$3.8 million in FY08, and by \$7 million in FY09 and thereafter.	The Department of Revenue estimates that the increase in credits (assuming that the change to \$130 million total is made) will cause GPR revenue to decrease by \$800,000 in FY08 and by \$1.4 million in FY09.	maintains the status quo

	Current Law	SB 293	SB 334	Governor
State Agency comments	n/a	<p>This is a big increase that at this time may not be needed (not enough demand. However, it would be good for the businesses, so Commerce isn't opposed.</p> <p>Commerce feels they will need an additional 1.0 FTE GPR position to handle the increase in available credits</p>	<p>Commerce does not like this bill but has not taken an official position</p> <p>Bill expands definition of QNBV -- this concerns Commerce</p> <p>No additional positions needed at Commerce to administer</p>	<p>Commerce is supportive</p> <p>DFI is supportive</p> <p>No additional positions needed at Commerce to administer</p>
Groups in Favor	n/a	Competitive WI MMAC	Competitive WI MMAC	<p>Wisconsin Technology Council</p> <p>Tech companies, e.g. Quintessence, Flugel, etc.</p> <p>NOTE: It is likely that Competitive WI and MMAC would also support</p>
Groups Opposed	none testified against at Senate Commerce Committee hearing on 12/20.	none testified against at Senate Commerce Committee hearing on 12/20.	none testified against at Senate Commerce Committee hearing on 12/20.	none known
Groups with Questions	none known	none known	Fox Cities Chamber of Commerce and Industry	QVF may have concerns about competing with angels
Technology Grant and Loan Program				double funding from \$2.5 million base to \$5 million
State Agency comments	n/a	n/a	n/a	none
Groups in Favor	n/a	n/a	n/a	Wisconsin Biotechnology Alliance Wisconsin Technology Council grantwriters/consultants
Groups Opposed	n/a	n/a	n/a	none known, but Right to Life may oppose increasing stem cell grants
Groups with Questions	n/a	n/a	n/a	none known
Gross Premium Tax	no provision to claim Act 255 credits against gross premium tax liability	n/a	n/a	insurers may claim Act 255 credits against their gross premium tax liability
State Agency comments	n/a	n/a	n/a	DFI supportive
Groups in Favor	n/a	n/a	n/a	Commerce supportive
Groups Opposed	n/a	n/a	n/a	John Neis
Groups with Questions	n/a	n/a	n/a	none known
	n/a	n/a	n/a	none known

in 76.637 - only need to add 78.03(67) & 560.105 to account

Current Law

SB 293

SB 334

Governor

*** NOTE: Senator Kanavas has told DOR that the language in the bill that combines angel and venture credits into one pot, for a total of only \$65 million in credits, is in error, and that each credit should total \$65 million, for a program total of \$130 million (\$13 million per year). The bill will need to be amended to correct this error.

Kreye, Joseph

From: Sundberg, Christopher
Sent: Tuesday, January 22, 2008 10:59 AM
To: Kreye, Joseph
Subject: FW: Final Changes

See below...

From: Swentkofske, Matthew
Sent: Tuesday, January 22, 2008 10:57 AM
To: Sundberg, Christopher
Subject: Final Changes

Christopher,

Some additional changes...and you might want to double check with Nina or Ron Hermes to ensure I am perfectly accurate.

- The tax credits should take effect starting next biennium (09-10),
- Allow 25% to be claimed at one time, and not necessarily 12.5% in first year and 12.5% in the second(like Venture Center)
- Allocating an additional \$1,000,000 in credits in 2010 and \$1.5 million in 2011.

Matt Swentkofske
Office of Senator Jim Sullivan
5th Senate District
matthew.swentkofske@legis.wisconsin.gov
608-266-2512



JK:A:mk

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

ETS

D-note

INS 1-1

and increasing funding
for technology
commercialization
grants and loans

GenCat

① AN ACT ...; relating to: the early stage seed and angel investment tax credits

10 ✓

INS
A

Analysis by the Legislative Reference Bureau

Under current law, generally, a taxpayer may claim a credit against the taxpayer's income and franchise tax liability on certain amounts invested in new businesses under the early stage seed investment tax credit or the angel investment tax credit. Under current law, the total amount of early stage seed investment credits that taxpayers may claim for all taxable years combined is \$52,500,000 and the total amount of angel investment credits that taxpayers may claim for all taxable years combined is \$47,500,000. Under this bill, the total amount of early stage seed investment credits that taxpayers may claim for all taxable years combined is \$65,000,000 and the total amount of angel investment credits that taxpayers may claim for all taxable years combined is \$65,000,000. In addition, the bill allows insurers to claim the early stage seed investment credits against the license fees imposed on insurance companies. ✓

Under current law, the maximum amount of angel investments that a business may receive is \$1,000,000. This bill increases the maximum amount of angel investments that a business may receive to \$4,000,000. ✓

For further information see the **state** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 SECTION 1. 71.07 (5b) (c) 1. of the statutes, as affected by 2007 Wisconsin Act
2 20, is amended to read:

3 71.07 (5b) (c) 1. Except as provided in s. 73.03 (63), the maximum amount of
4 the credits that may be claimed under this subsection and ss. 71.28 (5b) and 71.47
5 (5b) for all taxable years combined is ~~\$52,500,000~~ \$65,000,000. ✓

INSTEAD 2-b

History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9, 10, 32; 1999 a. 150 s. 672; 1999 a. 198; 2001 a. 16, 109; 2003 a. 72, 99, 135, 183, 255, 267, 326; 2005 a. 25, 49, 72, 74, 97, 177, 254, 361, 387, 479, 483, 487; 2007 a. 11, 20.

6 SECTION 2. 71.07 (5d) (c) 1. of the statutes, as affected by 2007 Wisconsin Act
7 20, is amended to read:

8 71.07 (5d) (c) 1. Except as provided in s. 73.03 (63), the maximum amount of
9 the credits that may be claimed under this subsection for all taxable years combined
10 is ~~\$47,500,000~~ \$65,000,000. ✓

History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9, 10, 32; 1999 a. 150 s. 672; 1999 a. 198; 2001 a. 16, 109; 2003 a. 72, 99, 135, 183, 255, 267, 326; 2005 a. 25, 49, 72, 74, 97, 177, 254, 361, 387, 479, 483, 487; 2007 a. 11, 20.

11 SECTION 3. 71.28 (5b) (c) 1. of the statutes, as affected by 2007 Wisconsin Act
12 20, is amended to read:

13 71.28 (5b) (c) 1. Except as provided in s. 73.03 (63), the maximum amount of
14 the credits that may be claimed under this subsection and ss. 71.07 (5b) and 71.47
15 (5b) for all taxable years combined is ~~\$52,500,000~~ \$65,000,000. ✓

History: 1987 a. 312; 1987 a. 411 ss. 88, 130 to 139; 1987 a. 422; 1989 a. 31, 44, 56, 100, 336, 359; 1991 a. 39, 292; 1993 a. 16, 112, 232, 491; 1995 a. 2; 1995 a. 27 ss. 3399r to 3404c, 9116 (5); 1995 a. 209, 227; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9; 2001 a. 16; 2003 a. 72, 99, 135, 255, 267, 326; 2005 a. 25, 74, 97, 361, 387, 452, 479, 483, 487; 2007 a. 20; s. 13.93 (2) (c).

16 SECTION 4. 71.47 (5b) (c) 1. of the statutes, as affected by 2007 Wisconsin Act
17 20, is amended to read:

18 71.47 (5b) (c) 1. Except as provided in s. 73.03 (63), the maximum amount of
19 the credits that may be claimed under this subsection and ss. 71.07 (5b) and 71.28
20 (5b) for all taxable years combined is ~~\$52,500,000~~ \$65,000,000. ✓

History: 1987 a. 312, 411, 422; 1989 a. 31, 44, 56, 100, 336, 359; 1991 a. 39, 292, 315; 1993 a. 16, 112; 1995 a. 27 ss. 3407m to 3412m, 9116 (5); 1995 a. 209, 227, 417; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9; 2001 a. 16; 2003 a. 72, 99, 135, 255, 267, 326; 2005 a. 25, 74, 97, 361, 387, 452, 479, 483, 487; 2007 a. 20; s. 13.93 (2) (c).

21 SECTION 5. 73.03 (63) of the statutes, as created by 2007 Wisconsin Act 20, is
22 amended to read:

1 73.03 (63) Notwithstanding the amount limitations specified under ss. 71.07
 2 (5b) (c) 1. and (5d) (c) 1., 71.28 (5b) (c) 1., 71.47 (5b) (c) 1., 76.637 (3), and 560.205 (3)
 3 (d), in consultation with the department of commerce, to carry forward to subsequent
 4 taxable years unclaimed credit amounts of the early stage seed investment credits
 5 under ss. 71.07 (5b), 71.28 (5b), and 71.47 (5b), and 76.637 and the angel investment
 6 credit under s. 71.07 (5d). Annually, no later than July 1, the department of
 7 commerce shall submit to the department of revenue its recommendations for the
 8 carry forward of credit amounts as provided under this subsection.

History: 1971 c. 40, 215; 1973 c. 90; 1975 c. 39; 1977 c. 143; 1977 c. 196 s. 130 (7); 1977 c. 313; 1979 c. 34; 1979 c. 110 s. 60 (13); 1979 c. 221, 350; 1981 c. 20; 1981 c. 79 s. 18; 1983 a. 275 s. 15 (4); 1983 a. 524; 1983 a. 538 s. 269 (3); 1985 a. 12, 29, 273; 1987 a. 4, 27, 186; 1987 a. 312 s. 17; 1987 a. 328, 378, 399; 1989 a. 31; 1989 a. 56 s. 259; 1989 a. 74, 335; 1991 a. 39, 219, 313, 316; 1993 a. 16, 112, 205, 490; 1995 a. 27 ss. 3434g to 3440m, 9145 (1); 1995 a. 209, 233; 1997 a. 27, 35, 191, 237, 252; 1999 a. 9, 31, 185; 2001 a. 16, 44, 104, 107, 109; 2003 a. 33, 127; 2005 a. 25, 259; 2007 a. 20.

9 **SECTION 6.** 76.637 of the statutes is created to read:

10 **76.637 Early stage seed investment credit. (1) DEFINITIONS.** In this
 11 section, "fund manager" means an investment fund manager certified under s.
 12 560.205 (2).

13 **(2) FILING CLAIMS.** For taxable years beginning after ~~December 31, 2007~~ ^{June 30, 2009}
 14 subject to the limitations provided under this subsection and s. 560.205, an insurer
 15 may claim as a credit against the fees imposed under ~~ss.~~ [§] 76.60, 76.63, 76.65, 76.66,
 16 or 76.67, 25 percent of the insurer's investment paid to a fund manager that the fund
 17 manager invests in a business certified under s. 560.205 (1).

18 **(3) LIMITATIONS.** Except as provided in s. 73.03 (63), the maximum amount of
 19 the credits that may be claimed under this section and ss. 71.07 (5b), 71.28 (5b), and
 20 71.47 (5b) for all taxable years combined is \$65,000,000.

21 **(4) INVESTMENT BASIS.** The Wisconsin adjusted basis of any investment for
 22 which a credit is claimed under sub. (2) shall be reduced by the amount of the credit
 23 that is offset against the fees imposed under ~~ss.~~ [§] 76.60, 76.63, 76.65, 76.66, or 76.67.

1 (5) CARRY-FORWARD. If the credit under sub. (2) is not entirely offset against the
2 fees under s. 76.60, 76.63, 76.65, 76.66, or 76.67 otherwise due, the unused balance
3 may be carried forward and credited against those fees for the following 15 years to
4 the extent that it is not offset by those fees otherwise due in all the years between
5 the year in which the expense was made and the year in which the carry-forward
6 credit is claimed. ✓

7 SECTION 7. 76.67 (2) of the statutes is amended to read:

8 76.67 (2) If any domestic insurer is licensed to transact insurance business in
9 another state, this state may not require similar insurers domiciled in that other
10 state to pay taxes greater in the aggregate than the aggregate amount of taxes that
11 a domestic insurer is required to pay to that other state for the same year less the
12 credits under ss. 76.635, 76.636, 76.637, and 76.655, except that the amount imposed
13 shall not be less than the total of the amounts due under ss. 76.65 (2) and 601.93 and,
14 if the insurer is subject to s. 76.60, 0.375% of its gross premiums, as calculated under
15 s. 76.62, less offsets allowed under s. 646.51 (7) or under ss. 76.635, 76.636, 76.637,
16 and 76.655 against that total, and except that the amount imposed shall not be less
17 than the amount due under s. 601.93.

18 History: 1975 c. 372 s. 41; 1979 c. 34; 1979 c. 102 s. 26; 1979 c. 177; Stats. 1979 s. 76.67; 1983 a. 27; 1989 a. 31; 1999 a. 30; 2005 a. 74, 259.

18 SECTION 8. 560.205 (1) (k) of the statutes is amended to read: ✓

19 560.205 (1) (k) It has not received more than ~~\$1,000,000~~ \$4,000,000 in
20 investments that have qualified for tax credits under s. 71.07 (5d).

21 History: 2003 a. 255; 2005 a. 49, 97; 2007 a. 20.

21 SECTION 9. 560.205 (2) of the statutes is amended to read:

22 560.205 (2) EARLY STAGE SEED INVESTMENT TAX CREDITS. The department shall
23 implement a program to certify investment fund managers for purposes of ss. 71.07
24 (5b), 71.28 (5b), and 71.47 (5b), and 76.637. An investment fund manager desiring

1 certification shall submit an application to the department. In determining whether
 2 to certify an investment fund manager, the department shall consider the
 3 investment fund manager's experience in managing venture capital funds, the past
 4 performance of investment funds managed by the applicant, the expected level of
 5 investment in the investment fund to be managed by the applicant, and any other
 6 relevant factors. The department may certify only investment fund managers that
 7 commit to consider placing investments in businesses certified under sub. (1).

History: 2003 a. 255; 2005 a. 49, 97; 2007 a. 20.

8 **SECTION 10.** 560.205 (3) (c) 1. of the statutes is amended to read:

9 560.205 (3) (c) 1. The total amount of tax credits claimed under ss. 71.07 (5b)
 10 and (5d), 71.28 (5b), and 71.47 (5b), and 76.637 per taxable year.

History: 2003 a. 255; 2005 a. 49, 97; 2007 a. 20.

11 ~~**SECTION 11.** 560.205 (3) (d) of the statutes, as affected by 2007 Wisconsin Act
 12 20, is amended to read:~~

13 560.205 (3) (d) *Rules.* The department of commerce, in consultation with the
 14 department of revenue, shall promulgate rules to administer this section. The rules
 15 shall further define "bona fide angel investment" for purposes of s. 71.07 (5d) (a) 1.
 16 The rules shall limit the aggregate amount of tax credits under s. 71.07 (5d) that may
 17 be claimed for investments in businesses certified under sub. (1) at \$3,000,000 per
 18 calendar year for calendar years beginning after December 31, 2004, and \$5,500,000
 19 \$6,500,000 per calendar year for calendar years beginning after December 31, 2007.
 20 The rules shall also limit the aggregate amount of the tax credits under ss. 71.07 (5b),
 21 71.28 (5b), and 71.47 (5b), and 76.637 that may be claimed for investments paid to
 22 fund managers certified under sub. (2) at \$3,500,000 per calendar year for calendar
 23 years beginning after December 31, 2004, and \$6,000,000 \$6,500,000 per calendar
 24 year for calendar years beginning after December 31, 2007. The rules shall also

INDENT
5-10

1 provide that, for calendar years beginning after December 31, 2007, no person may
 2 receive a credit under ~~ss. 71.07 (5b) and (5d), 71.28 (5b), or 71.47 (5b), or 76.637~~^{s.}
 3 unless the person's investment is kept in a certified business, or with a certified fund
 4 manager, for no less than 3 years.

History: 2003 a. 255; 2005 a. 49, 97; 2007 a. 20.

(END)

WS
 6-4A-AP

dm

Insert 2 - 6

1 **SECTION 1.** 71.07 (5d) (b) of the statutes is renumbered 71.07 (5d) (b) (intro.)
2 and amended to read:

3 71.07 (5d) (b) *Filing claims.* Subject to the limitations provided in this
4 subsection and in s. 560.205, a claimant may claim as a credit against the tax
5 imposed under s. 71.02 or 71.08, up to the amount of those taxes, the following:

6 1. For taxable years beginning before July 1, 2009, in each taxable year for 2
7 consecutive years, beginning with the taxable year as certified by the department of
8 commerce, an amount equal to 12.5 percent of the claimant's bona fide angel
9 investment made directly in a qualified new business venture.

History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27
ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9, 10, 32; 1999 a. 150 s. 672; 1999 a. 198; 2001 a. 16, 109; 2003 a. 72, 99, 135,
183, 255, 267, 326; 2005 a. 25, 49, 72, 74, 97, 177, 254, 361, 387, 479, 483, 487; 2007 a. 11, 20.

10 **SECTION 2.** 71.07 (5d) (b) 2. of the statutes is created to read:

11 71.07 (5d) (b) 2. For taxable years beginning after June 30, 2009, for the taxable
12 year certified by the department of commerce, an amount equal to 25 percent of the
13 claimant's bona fide angel investment made directly in a qualified new business
14 venture.

Insert 5 - 10

15 **SECTION 3.** 560.205 (3) (d) of the statutes, as affected by 2007 Wisconsin Act 20,
16 is amended to read:

17 560.205 (3) (d) *Rules.* The department of commerce, in consultation with the
18 department of revenue, shall promulgate rules to administer this section. The rules
19 shall further define "bona fide angel investment" for purposes of s. 71.07 (5d) (a) 1.
20 The rules shall limit the aggregate amount of tax credits under s. 71.07 (5d) that may
21 be claimed for investments in businesses certified under sub. (1) at \$3,000,000 per

and 2007

1 calendar year for calendar years beginning after December 31, 2004, and \$5,500,000
 2 per calendar year for calendar years beginning after December 31, 2007, \$6,500,000
 3 per calendar year for calendar years beginning after December 31, 2009, \$7,500,000
 4 per calendar year for calendar years beginning after December 31, 2010, and
 5 \$8,000,000 per calendar year for calendar years beginning after December 31, 2011.

6 The rules shall also limit the aggregate amount of the tax credits under ss. 71.07 (5b),
 7 71.28 (5b), and 71.47 (5b), and 76.637 that may be claimed for investments paid to
 8 fund managers certified under sub. (2) at \$3,500,000 per calendar year for calendar
 9 years beginning after December 31, 2004, and \$6,000,000 per calendar year for
 10 calendar years beginning after December 31, 2007, \$6,500,000 per calendar year for
 11 calendar years beginning after December 31, 2009, \$7,500,000 per calendar year for
 12 calendar years beginning after December 31, 2010, and \$8,000,000 per calendar year
 13 for calendar years beginning after December 31, 2011. The rules shall also provide
 14 that, for calendar years beginning after December 31, 2007, no person may receive
 15 a credit under ss. s. 71.07 (5b) and (5d), 71.28 (5b), or 71.47 (5b), or 76.637 unless the
 16 person's investment is kept in a certified business, or with a certified fund manager,
 17 for no less than 3 years.

History: 2003 a. 255; 2005 a. 49, 97; 2007 a. 20.

Insert 6 - 4B

SECTION 4. Effective date.

18 (1) The treatment of sections 71.07 (5b) (c) 1. and (5d) (c) 1., 71.28 (5b) (c) 1.,
 19 and 71.47 (5b) (c) 1. of the statutes takes effect on July 1, 2009.

STET

1 **Insert 1-1:**

2 , the submission of budget information by the department of commerce, and
3 allocating funding to the technology commercialization grant and loan program. ✓

4 **Insert A:**

 Currently, the Department of Commerce (department) may generally award a technology commercialization grant or loan for the development or commercialization of a technologically innovative product, process, or service; to enhance a person's ability to obtain early stage capital from third parties; or to support certain entrepreneurial and technology transfer centers. Such grants and loans are funded by the Wisconsin Development Fund (fund), which also funds several other economic development programs.

 This bill instructs the department to prepare its budget request for the fund for the 2009-11 fiscal biennium as though the fund were appropriated an additional \$2.5 million for the 2007-09 fiscal biennium. ✓ The bill also directs the department to allocate \$5,000,000 from the fund in each fiscal biennium to technology commercialization grants and loans. ✓

5 **Insert 6-4:**

6 **SECTION 1.** 560.275 (2m) of the statutes is created to read:

7 560.275 (2m) ALLOCATION FROM WISCONSIN DEVELOPMENT FUND. Beginning on
8 July 1, 2009, in each fiscal biennium, the department shall allocate \$5,000,000 from
9 the appropriation under s. 20.143 (1) (c) to grants and loans under this section.

10 **SECTION 2. Nonstatutory provisions.**

11 (1) BUDGET INFORMATION; TECHNOLOGY COMMERCIALIZATION FUNDING.

12 Notwithstanding section 16.42 (1) (e) of the statutes, in submitting information
13 under section 16.42 of the statutes for purposes of the 2009-11 biennial budget bill,
14 the department of commerce shall submit ^{information concerning} ~~information concerning~~ the appropriation
15 under section 20.143 (1) (c) of the statutes as though the amount appropriated to the
16 department ^{of commerce} ~~under that appropriation for~~ ⁱⁿ fiscal year 2008-09 were \$8,098,400 and
17 ^{for} fiscal year 2009-10 were \$8,598,000.

under section 20.143(1)(e)
of the statutes (use 2x)

1

Insert A:

2008-09
Currently, the Department of Commerce may generally award a technology commercialization grant or loan for the development or commercialization of a technologically innovative product, process, or service; to enhance a person's ability to obtain early stage capital from ^{third} 3rd parties; or to support certain entrepreneurial and technology transfer centers. Such grants and loans are funded by the Wisconsin Development Fund (fund), which also funds several other economic development programs. This bill increases the appropriation to the fund by \$2.5 million in fiscal year 2009-10 for the purpose of increasing funding for technology commercialization grants and loans. ✓

2

Insert 6-4:

3

SECTION 1. Fiscal changes.

4

(1) TECHNOLOGY COMMERCIALIZATION GRANTS AND LOANS. In the schedule under

5

section 20.005 (3) of the statutes for the appropriation to the department of commerce

6

under section 20.145^{or 3} (1) (c) of the statutes, as affected by the acts of 2007, the dollar

7

amount is increased by \$2,500,000 for fiscal year 2008-09^{carried over} to increase funding for

8

technology commercialization grants and loans under section 560.275 of the

9

statutes.

See LRB-3836/P1ins2 →

LRS
DO NOT USE
THIS PAGE

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-3836/P1dn

JK:.....

Imk

(date)

✓
Sen. Sullivan:

Please review this draft carefully to ensure that it is consistent with your intent. Please note that, because the angel investment credit under s. 71.07 (5d) only applies to claimants who file as individuals, the bill does not create an angel investment credit against the license fees paid by insurance companies. ✓

Joseph T. Kreye
Legislative Attorney
Phone: (608) 266-2263
E-mail: joseph.kreye@legis.wisconsin.gov

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-3836/P1dn

JK:lmk:rs

January 29, 2008

Sen. Sullivan:

Please review this draft carefully to ensure that it is consistent with your intent. Please note that, because the angel investment credit under s. 71.07 (5d) only applies to claimants who file as individuals, the bill does not create an angel investment credit against the license fees paid by insurance companies.

Joseph T. Kreye
Legislative Attorney
Phone: (608) 266-2263
E-mail: joseph.kreye@legis.wisconsin.gov

Kreye, Joseph

From: Swenkofske, Matthew

Sent: Thursday, January 31, 2008 10:21 AM

To: Kreye, Joseph; Sundberg, Christopher

Subject: FW: Draft review: LRB 07-3836/P1 Topic: Angel and early stage investment credits; technology loans and grants

We need to make one change to the bill

The bill should maintain the current law levels of \$52,500,000 for early seed and \$47,500,00 for angel investment.

Matt Swenkofske

Office of Senator Jim Sullivan

5th Senate District

matthew.swenkofske@legis.wisconsin.gov

608-266-2512

01/31/2008



State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-3836/P1
JK/CTS:lmk:rs

1/P2
says R/M not R

PRELIMINARY DRAFT-- NOT READY FOR INTRODUCTION

in thru 1-31
due Fri 2-1
D-N
✓

1 AN ACT to renumber and amend 71.07 (5d) (b); to amend 71.07 (5b) (c) 1., 71.07
2 (5d) (c) 1., 71.28 (5b) (c) 1., 71.47 (5b) (c) 1., 73.03 (63), 76.67 (2), 560.205 (1) (k),
3 560.205 (2), 560.205 (3) (c) 1. and 560.205 (3) (d); and to create 71.07 (5d) (b)
4 2., 76.637 and 560.275 (2m) of the statutes; relating to: the early stage seed
5 and angel investment tax credits, the submission of budget information by the
6 department of commerce, and allocating funding to the technology
7 commercialization grant and loan program.

Analysis by the Legislative Reference Bureau

Under current law, generally, a taxpayer may claim a credit against the taxpayer's income and franchise tax liability on certain amounts invested in new businesses under the early stage seed investment tax credit or the angel investment tax credit. Under current law, the total amount of early stage seed investment credits that taxpayers may claim for all taxable years combined is \$52,500,000 and the total amount of angel investment credits that taxpayers may claim for all taxable years combined is \$47,500,000. Under this bill, the total amount of early stage seed investment credits that taxpayers may claim for all taxable years combined is \$65,000,000 and the total amount of angel investment credits that taxpayers may claim for all taxable years combined is \$65,000,000. In addition, the bill allows insurers to claim the early stage seed investment credits against the license fees imposed on insurance companies.

this
7

Under current law, the maximum amount of angel investments that a business may receive is \$1,000,000. This bill increases the maximum amount of angel investments that a business may receive to \$4,000,000.

Currently, the Department of Commerce (department) may generally award a technology commercialization grant or loan for the development or commercialization of a technologically innovative product, process, or service; to enhance a person's ability to obtain early stage capital from third parties; or to support certain entrepreneurial and technology transfer centers. Such grants and loans are funded by the Wisconsin Development Fund (fund), which also funds several other economic development programs.

This bill instructs the department to prepare its budget request for the fund for the 2009-11 fiscal biennium as though the fund were appropriated an additional \$2.5 million for the 2007-09 fiscal biennium. The bill also directs the department to allocate \$5,000,000 from the fund in each fiscal biennium to technology commercialization grants and loans.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 71.07 (5b) (c) 1. of the statutes, as affected by 2007 Wisconsin Act
2 20, is amended to read:

3 71.07 (5b) (c) 1. Except as provided in s. 73.03 (63), the maximum amount of
4 the credits that may be claimed under this subsection and ss. 71.28 (5b) and 71.47
5 (5b) for all taxable years combined is ~~\$52,500,000~~ \$65,000,000.

6 **SECTION 2.** 71.07 (5d) (b) of the statutes is renumbered 71.07 (5d) (b) (intro.)
7 and amended to read:

8 71.07 (5d) (b) *Filing claims.* Subject to the limitations provided in this
9 subsection and in s. 560.205, a claimant may claim as a credit against the tax
10 imposed under s. 71.02 or 71.08, up to the amount of those taxes, the following:

11 1. For taxable years beginning before July 1, 2009, in each taxable year for 2
12 consecutive years, beginning with the taxable year as certified by the department of

1 commerce, an amount equal to 12.5 percent of the claimant's bona fide angel
2 investment made directly in a qualified new business venture.

3 **SECTION 3.** 71.07 (5d) (b) 2. of the statutes is created to read:

4 71.07 (5d) (b) 2. For taxable years beginning after June 30, 2009, for the taxable
5 year certified by the department of commerce, an amount equal to 25 percent of the
6 claimant's bona fide angel investment made directly in a qualified new business
7 venture.

8 **SECTION 4.** 71.07 (5d) (c) 1. of the statutes, as affected by 2007 Wisconsin Act
9 20, is amended to read:

10 71.07 (5d) (c) 1. Except as provided in s. 73.03 (63), the maximum amount of
11 the credits that may be claimed under this subsection for all taxable years combined
12 is ~~\$47,500,000~~ \$65,000,000.

13 **SECTION 5.** 71.28 (5b) (c) 1. of the statutes, as affected by 2007 Wisconsin Act
14 20, is amended to read:

15 71.28 (5b) (c) 1. Except as provided in s. 73.03 (63), the maximum amount of
16 the credits that may be claimed under this subsection and ss. 71.07 (5b) and 71.47
17 (5b) for all taxable years combined is ~~\$52,500,000~~ \$65,000,000.

18 **SECTION 6.** 71.47 (5b) (c) 1. of the statutes, as affected by 2007 Wisconsin Act
19 20, is amended to read:

20 71.47 (5b) (c) 1. Except as provided in s. 73.03 (63), the maximum amount of
21 the credits that may be claimed under this subsection and ss. 71.07 (5b) and 71.28
22 (5b) for all taxable years combined is ~~\$52,500,000~~ \$65,000,000.

23 **SECTION 7.** 73.03 (63) of the statutes, as created by 2007 Wisconsin Act 20, is
24 amended to read:

1 73.03 (63) Notwithstanding the amount limitations specified under ss. 71.07
2 (5b) (c) 1. and (5d) (c) 1., 71.28 (5b) (c) 1., 71.47 (5b) (c) 1., 76.637 (3), and 560.205 (3)
3 (d), in consultation with the department of commerce, to carry forward to subsequent
4 taxable years unclaimed credit amounts of the early stage seed investment credits
5 under ss. 71.07 (5b), 71.28 (5b), and 71.47 (5b), and 76.637 and the angel investment
6 credit under s. 71.07 (5d). Annually, no later than July 1, the department of
7 commerce shall submit to the department of revenue its recommendations for the
8 carry forward of credit amounts as provided under this subsection.

9 **SECTION 8.** 76.637 of the statutes is created to read:

10 **76.637 Early stage seed investment credit. (1) DEFINITIONS.** In this
11 section, "fund manager" means an investment fund manager certified under s.
12 560.205 (2).

13 **(2) FILING CLAIMS.** For taxable years beginning after June 30, 2009, subject to
14 the limitations provided under this subsection and s. 560.205, an insurer may claim
15 as a credit against the fees imposed under s. 76.60, 76.63, 76.65, 76.66, or 76.67, 25
16 percent of the insurer's investment paid to a fund manager that the fund manager
17 invests in a business certified under s. 560.205 (1).

18 **(3) LIMITATIONS.** Except as provided in s. 73.03 (63), the maximum amount of
19 the credits that may be claimed under this section and ss. 71.07 (5b), 71.28 (5b), and
20 71.47 (5b) for all taxable years combined is ~~\$65,000,000~~ \$52,500,000

21 **(4) INVESTMENT BASIS.** The Wisconsin adjusted basis of any investment for
22 which a credit is claimed under sub. (2) shall be reduced by the amount of the credit
23 that is offset against the fees imposed under s. 76.60, 76.63, 76.65, 76.66, or 76.67.

24 **(5) CARRY-FORWARD.** If the credit under sub. (2) is not entirely offset against the
25 fees under s. 76.60, 76.63, 76.65, 76.66, or 76.67 otherwise due, the unused balance

1 may be carried forward and credited against those fees for the following 15 years to
2 the extent that it is not offset by those fees otherwise due in all the years between
3 the year in which the expense was made and the year in which the carry-forward
4 credit is claimed.

5 **SECTION 9.** 76.67 (2) of the statutes is amended to read:

6 76.67 (2) If any domestic insurer is licensed to transact insurance business in
7 another state, this state may not require similar insurers domiciled in that other
8 state to pay taxes greater in the aggregate than the aggregate amount of taxes that
9 a domestic insurer is required to pay to that other state for the same year less the
10 credits under ss. 76.635, 76.636, 76.637, and 76.655, except that the amount imposed
11 shall not be less than the total of the amounts due under ss. 76.65 (2) and 601.93 and,
12 if the insurer is subject to s. 76.60, 0.375% of its gross premiums, as calculated under
13 s. 76.62, less offsets allowed under s. 646.51 (7) or under ss. 76.635, 76.636, 76.637,
14 and 76.655 against that total, and except that the amount imposed shall not be less
15 than the amount due under s. 601.93.

16 **SECTION 10.** 560.205 (1) (k) of the statutes is amended to read:

17 560.205 (1) (k) It has not received more than ~~\$1,000,000~~ \$4,000,000 in
18 investments that have qualified for tax credits under s. 71.07 (5d).

19 **SECTION 11.** 560.205 (2) of the statutes is amended to read:

20 560.205 (2) **EARLY STAGE SEED INVESTMENT TAX CREDITS.** The department shall
21 implement a program to certify investment fund managers for purposes of ss. 71.07
22 (5b), 71.28 (5b), ~~and 71.47 (5b)~~, and 76.637. An investment fund manager desiring
23 certification shall submit an application to the department. In determining whether
24 to certify an investment fund manager, the department shall consider the
25 investment fund manager's experience in managing venture capital funds, the past

SECTION 11

1 performance of investment funds managed by the applicant, the expected level of
2 investment in the investment fund to be managed by the applicant, and any other
3 relevant factors. The department may certify only investment fund managers that
4 commit to consider placing investments in businesses certified under sub. (1).

5 SECTION 12. 560.205 (3) (c) 1. of the statutes is amended to read:
6 560.205 (3) (c) 1. The total amount of tax credits claimed under ss. 71.07 (5b)
7 and (5d), 71.28 (5b), ~~and 71.47 (5b), and 76.637~~ per taxable year.

8 SECTION 13. 560.205 (3) (d) of the statutes, as affected by 2007 Wisconsin Act
9 20, is amended to read:

10 560.205 (3) (d) Rules. The department of commerce, in consultation with the
11 department of revenue, shall promulgate rules to administer this section. The rules
12 shall further define "bona fide angel investment" for purposes of s. 71.07 (5d) (a) 1.
13 The rules shall limit the aggregate amount of tax credits under s. 71.07 (5d) that may
14 be claimed for investments in businesses certified under sub. (1) at \$3,000,000 per

15 calendar year for calendar years beginning after December 31, 2004, and \$5,500,000
16 per calendar year for calendar years beginning after December 31, in 2007 and 2008,

17 ~~\$6,500,000 in 2009, \$7,500,000 in 2010, and \$8,000,000~~ per calendar year for
18 calendar years beginning after December 31, 2011. The rules shall also limit the
19 aggregate amount of the tax credits under ss. 71.07 (5b), 71.28 (5b), and 71.47 (5b),
20 and 76.637 that may be claimed for investments paid to fund managers certified
21 under sub. (2) at \$3,500,000 per calendar year for calendar years beginning after

22 December 31, 2004, and \$6,000,000 per calendar year for calendar years beginning
23 after December 31, in 2007 and 2008, ~~\$6,500,000 in 2009, \$7,500,000 in 2010, and~~
24 ~~\$8,000,000~~ per calendar year for calendar years beginning after December 31, 2011.

25 The rules shall also provide that, for calendar years beginning after December 31,

STET
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keep
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plain
\$7,000,000

1 2007, no person may receive a credit under ~~ss. s.~~ s. 71.07 (5b) and (5d), 71.28 (5b), or
2 71.47 (5b), or 76.637 unless the person's investment is kept in a certified business,
3 or with a certified fund manager, for no less than 3 years.

4 **SECTION 14.** 560.275 (2m) of the statutes is created to read:

5 560.275 (2m) ALLOCATION FROM WISCONSIN DEVELOPMENT FUND. Beginning on
6 July 1, 2009, in each fiscal biennium, the department shall allocate \$5,000,000 from
7 the appropriation under s. 20.143 (1) (c) to grants and loans under this section.

8 **SECTION 15. Nonstatutory provisions.**

9 (1) BUDGET INFORMATION; TECHNOLOGY COMMERCIALIZATION FUNDING.

10 Notwithstanding section 16.42 (1) (e) of the statutes, in submitting information
11 under section 16.42 of the statutes for purposes of the 2009-11 biennial budget bill,
12 the department of commerce shall submit a dollar amount for the appropriation
13 under section 20.143 (1) (c) of the statutes as though the amount appropriated to the
14 department of commerce in fiscal year 2007-08 under section 20.143 (1) (c) of the
15 statutes were \$8,098,400 and in fiscal year 2008-09 under section 20.143 (1) (c) of
16 the statutes were \$8,598,000.

17 **SECTION 16. Effective date.**

18 (1) The treatment of sections 71.07 (5b) (c) 1. and (5d) (c) 1., 71.28 (5b) (c) 1.,
19 and 71.47 (5b) (c) 1. of the statutes take effect on July 1, 2009.

20 (END)



STATE OF WISCONSIN - LEGISLATIVE REFERENCE BUREAU

LRB

Research (608-266-0341)

Library (608-266-7040)

Legal (608-266-3561)

LRB

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JK:lmk

(date)

Sullivan:

Senator Sullivan:

this

Please review this draft carefully to ensure that
it is consistent

with your intent

JK

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-3836/P2dn
JK:lmk:pg

February 1, 2008

Senator Sullivan:

Please review this draft carefully to ensure that it is consistent with your intent.

Joseph T. Kreye
Legislative Attorney
Phone: (608) 266-2263
E-mail: joseph.kreye@legis.wisconsin.gov

Kreye, Joseph

From: Swenkofske, Matthew
Sent: Monday, February 04, 2008 2:10 PM
To: Kreye, Joseph
Subject: RE: One more change

3836

From: Kreye, Joseph
Sent: Monday, February 04, 2008 2:09 PM
To: Swenkofske, Matthew
Subject: RE: One more change

Hi Matt,

What's the LRB number on that again?

Joe

Joseph T. Kreye
Senior Legislative Attorney
Legislative Reference Bureau
(608) 266-2263

From: Swenkofske, Matthew
Sent: Monday, February 04, 2008 2:06 PM
To: Kreye, Joseph; Sundberg, Christopher
Subject: One more change

Joseph and Chris,

The gov's people had some questions about page 5, lines 16-17 and lines 22-23. Since we're not increasing the credits, it should not raise to anything over 5.5 million per year aggregate for angel, and 6 million per year aggregate for venture. They say we can just mimic what was used in the budget language.

Matt



State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-3836/P2
JK&CTS:lmk:pg

stays RM ntr

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

in 1-4-08
due FRI
1-8-08
✓

Rosen

1 AN ACT *to renumber and amend* 71.07 (5d) (b); *to amend* 73.03 (63), 76.67 (2),
2 560.205 (1) (k), 560.205 (2), 560.205 (3) (c) 1. and 560.205 (3) (d); and *to create*
3 71.07 (5d) (b) 2., 76.637 and 560.275 (2m) of the statutes; **relating to:** the early
4 stage seed and angel investment tax credits, the submission of budget
5 information by the department of commerce, and allocating funding to the
6 technology commercialization grant and loan program.

Analysis by the Legislative Reference Bureau

Under current law, generally, a taxpayer may claim a credit against the taxpayer's income and franchise tax liability on certain amounts invested in new businesses under the early stage seed investment tax credit or the angel investment tax credit. This bill allows insurers to claim the early stage seed investment credits against the license fees imposed on insurance companies.

Under current law, the maximum amount of angel investments that a business may receive is \$1,000,000. This bill increases the maximum amount of angel investments that a business may receive to \$4,000,000.

Currently, the Department of Commerce (department) may generally award a technology commercialization grant or loan for the development or commercialization of a technologically innovative product, process, or service; to enhance a person's ability to obtain early stage capital from third parties; or to support certain entrepreneurial and technology transfer centers. Such grants and

loans are funded by the Wisconsin Development Fund (fund), which also funds several other economic development programs.

This bill instructs the department to prepare its budget request for the fund for the 2009-11 fiscal biennium as though the fund were appropriated an additional \$2.5 million for the 2007-09 fiscal biennium. The bill also directs the department to allocate \$5,000,000 from the fund in each fiscal biennium to technology commercialization grants and loans.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 71.07 (5d) (b) of the statutes is renumbered 71.07 (5d) (b) (intro.)
2 and amended to read:

3 71.07 **(5d)** (b) *Filing claims.* Subject to the limitations provided in this
4 subsection and in s. 560.205, a claimant may claim as a credit against the tax
5 imposed under s. 71.02 or 71.08, up to the amount of those taxes, the following:

6 1. For taxable years beginning before July 1, 2009, in each taxable year for 2
7 consecutive years, beginning with the taxable year as certified by the department of
8 commerce, an amount equal to 12.5 percent of the claimant's bona fide angel
9 investment made directly in a qualified new business venture.

10 **SECTION 2.** 71.07 (5d) (b) 2. of the statutes is created to read:

11 71.07 **(5d)** (b) 2. For taxable years beginning after June 30, 2009, for the taxable
12 year certified by the department of commerce, an amount equal to 25 percent of the
13 claimant's bona fide angel investment made directly in a qualified new business
14 venture.

15 **SECTION 3.** 73.03 (63) of the statutes, as created by 2007 Wisconsin Act 20, is
16 amended to read:

1 73.03 (63) Notwithstanding the amount limitations specified under ss. 71.07
2 (5b) (c) 1. and (5d) (c) 1., 71.28 (5b) (c) 1., 71.47 (5b) (c) 1., 76.637 (3), and 560.205 (3)
3 (d), in consultation with the department of commerce, to carry forward to subsequent
4 taxable years unclaimed credit amounts of the early stage seed investment credits
5 under ss. 71.07 (5b), 71.28 (5b), and 71.47 (5b), and 76.637 and the angel investment
6 credit under s. 71.07 (5d). Annually, no later than July 1, the department of
7 commerce shall submit to the department of revenue its recommendations for the
8 carry forward of credit amounts as provided under this subsection.

9 **SECTION 4.** 76.637 of the statutes is created to read:

10 **76.637 Early stage seed investment credit.** (1) DEFINITIONS. In this
11 section, "fund manager" means an investment fund manager certified under s.
12 560.205 (2).

13 (2) FILING CLAIMS. For taxable years beginning after June 30, 2009, subject to
14 the limitations provided under this subsection and s. 560.205, an insurer may claim
15 as a credit against the fees imposed under s. 76.60, 76.63, 76.65, 76.66, or 76.67, 25
16 percent of the insurer's investment paid to a fund manager that the fund manager
17 invests in a business certified under s. 560.205 (1).

18 (3) LIMITATIONS. Except as provided in s. 73.03 (63), the maximum amount of
19 the credits that may be claimed under this section and ss. 71.07 (5b), 71.28 (5b), and
20 71.47 (5b) for all taxable years combined is \$52,500,000.

21 (4) INVESTMENT BASIS. The Wisconsin adjusted basis of any investment for
22 which a credit is claimed under sub. (2) shall be reduced by the amount of the credit
23 that is offset against the fees imposed under s. 76.60, 76.63, 76.65, 76.66, or 76.67.

24 (5) CARRY-FORWARD. If the credit under sub. (2) is not entirely offset against the
25 fees under s. 76.60, 76.63, 76.65, 76.66, or 76.67 otherwise due, the unused balance

1 may be carried forward and credited against those fees for the following 15 years to
2 the extent that it is not offset by those fees otherwise due in all the years between
3 the year in which the expense was made and the year in which the carry-forward
4 credit is claimed.

5 **SECTION 5.** 76.67 (2) of the statutes is amended to read:

6 76.67 (2) If any domestic insurer is licensed to transact insurance business in
7 another state, this state may not require similar insurers domiciled in that other
8 state to pay taxes greater in the aggregate than the aggregate amount of taxes that
9 a domestic insurer is required to pay to that other state for the same year less the
10 credits under ss. 76.635, 76.636, 76.637, and 76.655, except that the amount imposed
11 shall not be less than the total of the amounts due under ss. 76.65 (2) and 601.93 and,
12 if the insurer is subject to s. 76.60, 0.375% of its gross premiums, as calculated under
13 s. 76.62, less offsets allowed under s. 646.51 (7) or under ss. 76.635, 76.636, 76.637,
14 and 76.655 against that total, and except that the amount imposed shall not be less
15 than the amount due under s. 601.93.

16 **SECTION 6.** 560.205 (1) (k) of the statutes is amended to read:

17 560.205 (1) (k) It has not received more than ~~\$1,000,000~~ \$4,000,000 in
18 investments that have qualified for tax credits under s. 71.07 (5d).

19 **SECTION 7.** 560.205 (2) of the statutes is amended to read:

20 560.205 (2) EARLY STAGE SEED INVESTMENT TAX CREDITS. The department shall
21 implement a program to certify investment fund managers for purposes of ss. 71.07
22 (5b), 71.28 (5b), ~~and 71.47 (5b)~~, and 76.637. An investment fund manager desiring
23 certification shall submit an application to the department. In determining whether
24 to certify an investment fund manager, the department shall consider the
25 investment fund manager's experience in managing venture capital funds, the past

1 performance of investment funds managed by the applicant, the expected level of
2 investment in the investment fund to be managed by the applicant, and any other
3 relevant factors. The department may certify only investment fund managers that
4 commit to consider placing investments in businesses certified under sub. (1).

5 **SECTION 8.** 560.205 (3) (c) 1. of the statutes is amended to read:

6 560.205 (3) (c) 1. The total amount of tax credits claimed under ss. 71.07 (5b)
7 and (5d), 71.28 (5b), and 71.47 (5b), and 76.637 per taxable year.

8 **SECTION 9.** 560.205 (3) (d) of the statutes, as affected by 2007 Wisconsin Act 20,
9 is amended to read:

10 560.205 (3) (d) *Rules.* The department of commerce, in consultation with the
11 department of revenue, shall promulgate rules to administer this section. The rules
12 shall further define "bona fide angel investment" for purposes of s. 71.07 (5d) (a) 1.
13 The rules shall limit the aggregate amount of tax credits under s. 71.07 (5d) that may
14 be claimed for investments in businesses certified under sub. (1) at \$3,000,000 per
15 calendar year for calendar years beginning after December 31, 2004, ~~and \$5,500,000~~ ^{STET (plain)}
16 per calendar year for calendar years beginning after December 31, 2007, ~~\$6,500,000~~
17 ~~in 2010, and \$7,000,000 per calendar year for calendar years beginning after~~
18 ~~December 31, 2011.~~ ^{Keep} The rules shall also limit the aggregate amount of the tax credits
19 under ss. 71.07 (5b), 71.28 (5b), and 71.47 (5b), and 76.637 that may be claimed for
20 investments paid to fund managers certified under sub. (2) at \$3,500,000 per
21 calendar year for calendar years beginning after December 31, 2004, ~~and \$6,000,000~~ ^{STET (plain)}
22 per calendar year for calendar years beginning after December 31, 2007, ~~\$6,500,000~~
23 ~~in 2010, and \$7,000,000 per calendar year for calendar years beginning after~~
24 ~~December 31, 2011.~~ ^{Keep} The rules shall also provide that, for calendar years beginning
25 after December 31, 2007, no person may receive a credit under ss. s. 71.07 (5b) and

1 (5d), 71.28 (5b), ~~or 71.47 (5b)~~, or 76.637 unless the person's investment is kept in a
2 certified business, or with a certified fund manager, for no less than 3 years.

3 **SECTION 10.** 560.275 (2m) of the statutes is created to read:

4 560.275 (2m) ALLOCATION FROM WISCONSIN DEVELOPMENT FUND. Beginning on
5 July 1, 2009, in each fiscal biennium, the department shall allocate \$5,000,000 from
6 the appropriation under s. 20.143 (1) (c) to grants and loans under this section.

7 **SECTION 11. Nonstatutory provisions.**

8 (1) BUDGET INFORMATION; TECHNOLOGY COMMERCIALIZATION FUNDING.

9 Notwithstanding section 16.42 (1) (e) of the statutes, in submitting information
10 under section 16.42 of the statutes for purposes of the 2009-11 biennial budget bill,
11 the department of commerce shall submit a dollar amount for the appropriation
12 under section 20.143 (1) (c) of the statutes as though the amount appropriated to the
13 department of commerce in fiscal year 2007-08 under section 20.143 (1) (c) of the
14 statutes were \$8,098,400 and in fiscal year 2008-09 under section 20.143 (1) (c) of
15 the statutes were \$8,598,000.

16 (END)



State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-3836/P3
JK&CTS:lmk:nwn

SM
RM
TR

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

in 2-8-08
Today
ReGen

V+

1 AN ACT *to renumber and amend* 71.07 (5d) (b); *to amend* 73.03 (63), 76.67 (2),
2 560.205 (1) (k), 560.205 (2), 560.205 (3) (c) 1. and 560.205 (3) (d); and *to create*
3 71.07 (5d) (b) 2., 76.637 and 560.275 (2m) of the statutes; **relating to:** the early
4 stage seed and angel investment tax credits, the submission of budget
5 information by the department of commerce, and allocating funding to the
6 technology commercialization grant and loan program.

Analysis by the Legislative Reference Bureau

Under current law, generally, a taxpayer may claim a credit against the taxpayer's income and franchise tax liability on certain amounts invested in new businesses under the early stage seed investment tax credit or the angel investment tax credit. This bill allows insurers to claim the early stage seed investment credits against the license fees imposed on insurance companies.

Under current law, the maximum amount of angel investments that a business may receive is \$1,000,000. This bill increases the maximum amount of angel investments that a business may receive to \$4,000,000.

Currently, the Department of Commerce (department) may generally award a technology commercialization grant or loan for the development or commercialization of a technologically innovative product, process, or service; to enhance a person's ability to obtain early stage capital from third parties; or to support certain entrepreneurial and technology transfer centers. Such grants and

loans are funded by the Wisconsin Development Fund (fund), which also funds several other economic development programs.

This bill instructs the department to prepare its budget request for the fund for the 2009-11 fiscal biennium as though the fund were appropriated an additional \$2.5 million for the 2007-09 fiscal biennium. The bill also directs the department to allocate \$5,000,000 from the fund in each fiscal biennium to technology commercialization grants and loans.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 71.07 (5d) (b) of the statutes is renumbered 71.07 (5d) (b) (intro.)
2 and amended to read:

3 71.07 (5d) (b) *Filing claims.* Subject to the limitations provided in this
4 subsection and in s. 560.205, a claimant may claim as a credit against the tax
5 imposed under s. 71.02 or 71.08, up to the amount of those taxes, the following:

6 1. For taxable years beginning before July 1, 2009, in each taxable year for 2
7 consecutive years, beginning with the taxable year as certified by the department of
8 commerce, an amount equal to 12.5 percent of the claimant's bona fide angel
9 investment made directly in a qualified new business venture.

10 **SECTION 2.** 71.07 (5d) (b) 2. of the statutes is created to read:

11 71.07 (5d) (b) 2. For taxable years beginning after June 30, 2009, for the taxable
12 year certified by the department of commerce, an amount equal to 25 percent of the
13 claimant's bona fide angel investment made directly in a qualified new business
14 venture.

15 **SECTION 3.** 73.03 (63) of the statutes, as created by 2007 Wisconsin Act 20, is
16 amended to read:

1 **73.03 (63)** Notwithstanding the amount limitations specified under ss. 71.07
2 (5b) (c) 1. and (5d) (c) 1., 71.28 (5b) (c) 1., 71.47 (5b) (c) 1., 76.637 (3), and 560.205 (3)
3 (d), in consultation with the department of commerce, to carry forward to subsequent
4 taxable years unclaimed credit amounts of the early stage seed investment credits
5 under ss. 71.07 (5b), 71.28 (5b), ~~and 71.47 (5b)~~, and 76.637 and the angel investment
6 credit under s. 71.07 (5d). Annually, no later than July 1, the department of
7 commerce shall submit to the department of revenue its recommendations for the
8 carry forward of credit amounts as provided under this subsection.

9 **SECTION 4.** 76.637 of the statutes is created to read:

10 **76.637 Early stage seed investment credit. (1) DEFINITIONS.** In this
11 section, “fund manager” means an investment fund manager certified under s.
12 560.205 (2).

13 **(2) FILING CLAIMS.** For taxable years beginning after June 30, 2009, subject to
14 the limitations provided under this subsection and s. 560.205, an insurer may claim
15 as a credit against the fees imposed under s. 76.60, 76.63, 76.65, 76.66, or 76.67, 25
16 percent of the insurer’s investment paid to a fund manager that the fund manager
17 invests in a business certified under s. 560.205 (1).

18 **(3) LIMITATIONS.** Except as provided in s. 73.03 (63), the maximum amount of
19 the credits that may be claimed under this section and ss. 71.07 (5b), 71.28 (5b), and
20 71.47 (5b) for all taxable years combined is \$52,500,000.

21 **(4) INVESTMENT BASIS.** The Wisconsin adjusted basis of any investment for
22 which a credit is claimed under sub. (2) shall be reduced by the amount of the credit
23 that is offset against the fees imposed under s. 76.60, 76.63, 76.65, 76.66, or 76.67.

24 **(5) CARRY-FORWARD.** If the credit under sub. (2) is not entirely offset against the
25 fees under s. 76.60, 76.63, 76.65, 76.66, or 76.67 otherwise due, the unused balance

SECTION 4

1 may be carried forward and credited against those fees for the following 15 years to
2 the extent that it is not offset by those fees otherwise due in all the years between
3 the year in which the expense was made and the year in which the carry-forward
4 credit is claimed.

5 **SECTION 5.** 76.67 (2) of the statutes is amended to read:

6 76.67 (2) If any domestic insurer is licensed to transact insurance business in
7 another state, this state may not require similar insurers domiciled in that other
8 state to pay taxes greater in the aggregate than the aggregate amount of taxes that
9 a domestic insurer is required to pay to that other state for the same year less the
10 credits under ss. 76.635, 76.636, 76.637, and 76.655, except that the amount imposed
11 shall not be less than the total of the amounts due under ss. 76.65 (2) and 601.93 and,
12 if the insurer is subject to s. 76.60, 0.375% of its gross premiums, as calculated under
13 s. 76.62, less offsets allowed under s. 646.51 (7) or under ss. 76.635, 76.636, 76.637,
14 and 76.655 against that total, and except that the amount imposed shall not be less
15 than the amount due under s. 601.93.

16 **SECTION 6.** 560.205 (1) (k) of the statutes is amended to read:

17 560.205 (1) (k) It has not received more than ~~\$1,000,000~~ \$4,000,000 in
18 investments that have qualified for tax credits under s. 71.07 (5d).

19 **SECTION 7.** 560.205 (2) of the statutes is amended to read:

20 560.205 (2) EARLY STAGE SEED INVESTMENT TAX CREDITS. The department shall
21 implement a program to certify investment fund managers for purposes of ss. 71.07
22 (5b), 71.28 (5b), ~~and 71.47 (5b)~~, and 76.637. An investment fund manager desiring
23 certification shall submit an application to the department. In determining whether
24 to certify an investment fund manager, the department shall consider the
25 investment fund manager's experience in managing venture capital funds, the past

1 performance of investment funds managed by the applicant, the expected level of
2 investment in the investment fund to be managed by the applicant, and any other
3 relevant factors. The department may certify only investment fund managers that
4 commit to consider placing investments in businesses certified under sub. (1).

5 **SECTION 8.** 560.205 (3) (c) 1. of the statutes is amended to read:

6 560.205 (3) (c) 1. The total amount of tax credits claimed under ss. 71.07 (5b)
7 and (5d), 71.28 (5b), ~~and 71.47 (5b)~~, and 76.637 per taxable year.

8 **SECTION 9.** 560.205 (3) (d) of the statutes, as affected by 2007 Wisconsin Act 20,
9 is amended to read:

10 560.205 (3) (d) *Rules.* The department of commerce, in consultation with the
11 department of revenue, shall promulgate rules to administer this section. The rules
12 shall further define "bona fide angel investment" for purposes of s. 71.07 (5d) (a) 1.
13 The rules shall limit the aggregate amount of tax credits under s. 71.07 (5d) that may
14 be claimed for investments in businesses certified under sub. (1) at \$3,000,000 per
15 calendar year for calendar years beginning after December 31, 2004, and \$5,500,000
16 per calendar year for calendar years beginning after December 31, 2007. The rules
17 shall also limit the aggregate amount of the tax credits under ss. 71.07 (5b), 71.28
18 (5b), ~~and 71.47 (5b)~~, and 76.637 that may be claimed for investments paid to fund
19 managers certified under sub. (2) at \$3,500,000 per calendar year for calendar years
20 beginning after December 31, 2004, and \$6,000,000 per calendar year for calendar
21 years beginning after December 31, 2007. The rules shall also provide that, for
22 calendar years beginning after December 31, 2007, no person may receive a credit
23 under ss. s. 71.07 (5b) and (5d), 71.28 (5b), ~~or 71.47 (5b)~~, or 76.637 unless the person's
24 investment is kept in a certified business, or with a certified fund manager, for no less
25 than 3 years.

Barman, Mike

From: Swentkofske, Matthew
Sent: Friday, February 08, 2008 2:44 PM
To: LRB.Legal
Subject: Draft Review: LRB 07-3836/1 Topic: Angel and early stage investment credits; technology loans and grants

Please Jacket LRB 07-3836/1 for the SENATE.