

2003 DRAFTING REQUEST

Bill

Received: **08/01/2003**

Received By: **rmarchan**

Wanted: **Soon**

Identical to LRB:

For: **Terri McCormick (608) 266-7500**

By/Representing: **jennifer**

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

Drafter: **rmarchan**

May Contact:

Addl. Drafters: **jkreye
mshovers**

Subject: **Econ. Development - bus. dev.
Tax - corp. inc. and fran.
Tax Credits - individual income**

Extra Copies:

Submit via email: **YES**

Requester's email: **Rep.McCormick@legis.state.wi.us**

Carbon copy (CC:) to: **robert.marchant@legis.state.wi.us
joseph.kreye@legis.state.wi.us**

Pre Topic:

No specific pre topic given

Topic:

Wisconsin capital investment board

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> |
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| /? | rmarchan | kfollett | | | | | State |
| | 08/01/2003 | 08/14/2003 | | _____ | | | |
| | mshovers | kfollett | | _____ | | | |
| | 08/13/2003 | 08/14/2003 | | _____ | | | |

| <u>Vers.</u> | <u>Drafted</u> | <u>Reviewed</u> | <u>Typed</u> | <u>Proofed</u> | <u>Submitted</u> | <u>Jacketed</u> | <u>Required</u> |
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| /P1 | rmarchan 09/04/2003 jkreye 09/04/2003 | kfollett 09/05/2003 | jfrantze 08/14/2003 | _____ | lemery 08/14/2003 | | State |
| /1 | | | pgreensl 09/05/2003 | _____ | mbarman 09/05/2003 | lnorthro 09/11/2003 | |

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mtm

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Text: [HF02270](#)Text: [HF02272](#)Text: [HF02200](#) - [HF02299](#)Text: [HF Index](#)Bills and Amendments: [General Index](#)Bill History: [General Index](#)[Get Version To Print](#)

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House File 2271

Partial Bill History

- Bill Introduced: [H.J. 295](#)
- Passed House: [H.J. 351](#) [H.J. 383](#)
- Passed Senate: [S.J. 299](#)
- Signed by Governor: [H.J. 573](#)
- [Complete Bill History](#)

Bill Text

PAG LIN

1 1 HOUSE FILE 2271

1 2

1 3 AN ACT

1 4 CREATING A TAX CREDIT FOR INVESTMENTS IN QUALIFYING BUSINESSES

1 5 AND COMMUNITY-BASED SEED CAPITAL FUNDS AND INCLUDING EFFECTIVE

1 6 AND RETROACTIVE APPLICABILITY DATE PROVISIONS.

1 7

1 8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 9

1 10 Section 1. NEW SECTION. 15E.41 PURPOSE.

1 11 The purpose of this division is to enhance the quality of

1 12 life for citizens of this state through the increased

1 13 availability of and accessibility to venture capital,

1 14 particularly at the seed capital investment stage, which

1 15 encourages the creation of wealth through high-paid, new jobs

1 16 that increase the wage base and promote industrial development

1 17 and innovative products that use new technology. The purpose

1 18 of this division is also to encourage individuals to invest

1 19 seed capital in Iowa businesses and in community-based seed

1 20 capital funds.

1 21 Sec. 2. NEW SECTION. 15E.42 DEFINITIONS.

1 22 For purposes of this division, unless the context otherwise

1 23 requires:

1 24 1. "Affiliate" means a spouse, child, or sibling of an

1 25 investor or a corporation, partnership, or trust in which an

1 26 investor has a controlling equity interest or in which an

1 27 investor exercises management control.

1 28 2. "Board" means the Iowa capital investment board, if

1 29 created in House File 2078 as enacted by the Seventy-ninth

1 30 General Assembly.

1 31 3. "Investor" means an individual making a cash investment
1 32 in a qualifying business or a person making a cash investment
1 33 in a community-based seed capital fund. "Investor" does not
1 34 include a person which is a current or previous owner, member,
1 35 or shareholder in a qualified business.

2 1 4. "Near equity" means debt that may be converted to
2 2 equity at the option of the debt holder, and royalty
2 3 agreements.

2 4 5. "Qualifying business" means a business meeting the
2 5 criteria defined in section 15E.44.

2 6 Sec. 3. NEW SECTION. 15E.43 INVESTMENT TAX CREDITS.

2 7 1. a. For tax years beginning on or after January 1,
2 8 2002, a tax credit shall be allowed against the taxes imposed
2 9 in chapter 422, division II, for a portion of an individual
2 10 taxpayer's equity investment, as provided in subsection 2, in
2 11 a qualified business. An individual shall not claim a tax
2 12 credit under this paragraph of a partnership, limited
2 13 liability company, S corporation, estate, or trust electing to
2 14 have income taxed directly to the individual.

2 15 b. For tax years beginning on or after January 1, 2002, a
2 16 tax credit shall be allowed against the taxes imposed in
2 17 chapter 422, divisions II, III, and V, and in chapter 432, and
2 18 against the moneys and credits tax imposed in section 533.24,
2 19 for a portion of a taxpayer's equity investment, as provided
2 20 in subsection 2, in a community-based seed capital fund. An
2 21 individual may claim a tax credit under this paragraph of a
2 22 partnership, limited liability company, S corporation, estate,
2 23 or trust electing to have income taxed directly to the
2 24 individual. The amount claimed by the individual shall be
2 25 based upon the pro rata share of the individual's earnings
2 26 from the partnership, limited liability company, S
2 27 corporation, estate, or trust.

2 28 c. A tax credit shall be allowed only for an investment
2 29 made in the form of cash to purchase equity in a qualifying
2 30 business or in a community-based seed capital fund. A
2 31 taxpayer shall not claim the tax credit prior to the third tax
2 32 year following the tax year in which the investment is made.
2 33 Any tax credit in excess of the taxpayer's liability for the
2 34 tax year may be credited to the tax liability for the
2 35 following five years or until depleted, whichever is earlier.

3 1 A tax credit shall not be carried back to a tax year prior to
3 2 the tax year in which the taxpayer redeems the tax credit.

3 3 2. A tax credit shall equal twenty percent of the
3 4 taxpayer's equity investment. The maximum amount of a tax
3 5 credit for an investment by an investor in any one qualifying
3 6 business shall be fifty thousand dollars. Each year, an
3 7 investor and all affiliates of the investor shall not claim
3 8 tax credits under this section for more than five different
3 9 investments in five different qualifying businesses.

3 10 3. An investment shall be deemed to have been made on the
3 11 same date as the date of acquisition of the equity interest as
3 12 determined by the Internal Revenue Code. An investment made
3 13 prior to January 1, 2002, shall not qualify for a tax credit
3 14 under this division.

3 15 4. The aggregate amount of tax credits issued pursuant to
3 16 this division shall not exceed a total of ten million dollars.
3 17 The total amount of tax credits issued during the fiscal year
3 18 beginning July 1, 2002, shall not exceed three million
3 19 dollars. The total amount of tax credits issued during the

3 20 fiscal year beginning July 1, 2003, shall not exceed three
3 21 million dollars. The total amount of tax credits issued
3 22 during the fiscal year beginning July 1, 2004, shall not
3 23 exceed four million dollars.

3 24 5. A tax credit shall not be redeemed during any tax year
3 25 beginning prior to January 1, 2005. A tax credit shall not be
3 26 transferable to any other taxpayer.

3 27 6. The board shall develop a system for registration and
3 28 authorization of tax credits authorized pursuant to this
3 29 division and shall control distribution of all tax credits
3 30 distributed to investors pursuant to this division. The board
3 31 shall develop rules for the qualification and administration
3 32 of qualifying businesses and community-based seed capital
3 33 funds. The department of revenue and finance shall adopt
3 34 these criteria as administrative rules and any other rules
3 35 pursuant to chapter 17A necessary for the administration of
4 1 this division.

4 2 7. The board may cooperate with the small business
4 3 development centers in an effort to disseminate information
4 4 regarding the availability of tax credits for investments in
4 5 qualifying businesses under this division. The board may also
4 6 cooperate with the small business development centers to
4 7 develop a standard seed capital application form that the
4 8 small business development centers may submit to the board on
4 9 behalf of clients seeking seed capital. The board shall
4 10 distribute copies of the application forms to all community-
4 11 based seed capital funds and potential individual investors.

4 12 Sec. 4. NEW SECTION. 15E.44 QUALIFYING BUSINESSES.

4 13 1. In order for an equity investment to qualify for a tax
4 14 credit, the business in which the equity investment is made
4 15 shall within one hundred twenty days of the date of the first
4 16 investment notify the board of the names, addresses, taxpayer
4 17 identification numbers, shares issued, consideration paid for
4 18 the shares, and the amount of any tax credits, of all
4 19 shareholders who may initially qualify for the tax credits,
4 20 and the earliest year in which the tax credits may be
4 21 redeemed. The list of shareholders who may qualify for the
4 22 tax credits shall be amended as new equity investments are
4 23 sold or as any information on the list shall change.

4 24 2. In order to be a qualifying business, a business must
4 25 meet all of the following criteria:

4 26 a. The principal business operations of the business are
4 27 located in this state.

4 28 b. The business has been in operation for three years or
4 29 less.

4 30 c. The business has an owner who has successfully
4 31 completed one of the following:

4 32 (1) An entrepreneurial venture development curriculum.

4 33 (2) Three years of relevant business experience.

4 34 (3) A four-year college degree in business management,
4 35 business administration, or a related field.

5 1 (4) Other training or experience as the board may specify
5 2 by rule or order as sufficient to increase the probability of
5 3 success of the qualifying business.

5 4 d. The business is not a business engaged primarily in
5 5 retail sales, real estate, or the provision of health care or
5 6 other professional services.

5 7 e. The business shall not have a net worth that exceeds
5 8 three million dollars.

5 9 f. The business shall have secured, within twenty-four

5 10 months following the first date on which the equity
5 11 investments qualifying for tax credits have been made, total
5 12 equity or near equity financing equal to at least two hundred
5 13 fifty thousand dollars.

5 14 3. A qualifying business shall have the burden of proof to
5 15 demonstrate to the board its qualifications under this
5 16 section, and shall have the obligation to notify the board in
5 17 a timely manner of any changes in the qualifications of the
5 18 business or in the eligibility of investors to redeem the
5 19 investment tax credits in any tax year.

5 20 4. After verifying the eligibility of a qualifying
5 21 business, the board shall issue a tax credit certificate to be
5 22 attached to the equity investor's tax return. The tax credit
5 23 certificate shall contain the taxpayer's name, address, tax
5 24 identification number, the amount of credit, the name of the
5 25 qualifying business, and other information required by the
5 26 department of revenue and finance. The tax credit
5 27 certificate, unless rescinded by the board, shall be accepted
5 28 by the department of revenue and finance as payment for taxes
5 29 imposed pursuant to chapter 422, division II, subject to any
5 30 conditions or restrictions placed by the board upon the face
5 31 of the tax credit certificate and subject to the limitations
5 32 of section 15E.43.

5 33 Sec. 5. NEW SECTION. 15E.45 COMMUNITY-BASED SEED CAPITAL
5 34 FUNDS.

5 35 1. An investment in a community seed capital fund shall
6 1 qualify for a tax credit under section 15E.43 provided that
6 2 all requirements of sections 15E.43, 15E.44, and this section
6 3 are met.

6 4 2. In order to be a community-based seed capital fund
6 5 qualifying under this section, a community-based seed capital
6 6 fund must meet all of the following criteria:

6 7 a. The fund is a limited partnership or limited liability
6 8 company.

6 9 b. The fund has, on or after January 1, 2002, a total of
6 10 both capital commitments from investors and investments in
6 11 qualifying businesses of at least five hundred thousand
6 12 dollars, but not more than three million dollars.

6 13 c. The fund has no fewer than ten individual investors who
6 14 are not affiliates, with no single investor and affiliates of
6 15 that investor together owning a total of more than twenty-five
6 16 percent of the ownership interests outstanding in the fund.

6 17 3. In order for an investment in a community-based seed
6 18 capital fund to qualify for a tax credit, the community-based
6 19 seed capital fund in which the investment is made shall within
6 20 one hundred twenty days of the date of the first investment
6 21 notify the board of the names, addresses, taxpayer
6 22 identification numbers, equity interests issued, consideration
6 23 paid for the interests, and the amount of any tax credits, of
6 24 which all limited partners or members who may initially
6 25 qualify for the tax credits, and the earliest year in which
6 26 the tax credits may be redeemed. The list of limited partners
6 27 or members who may qualify for the tax credits shall be
6 28 amended as new equity interests are sold or as any information
6 29 on the list shall change.

6 30 4. After verifying the eligibility of the community-based
6 31 seed capital fund, the board shall issue a tax credit
6 32 certificate to be attached to the taxpayer's tax return. The
6 33 tax credit certificate shall contain the taxpayer's name,
6 34 address, tax identification number, the amount of the tax

6 35 credit, the name of the community-based seed capital fund, and
7 1 other information required by the department of revenue and
7 2 finance. The tax credit certificate, unless rescinded by the
7 3 board, shall be accepted by the department of revenue and
7 4 finance or a local taxing district, as applicable, as payment
7 5 for taxes imposed pursuant to chapter 422, divisions II, III,
7 6 and V, and chapter 432, and as payment for the moneys and
7 7 credits tax imposed pursuant to section 533.24, subject to any
7 8 conditions or restrictions placed by the board on the face of
7 9 the tax credit certificate and subject to the limitations of
7 10 section 15E.43.

7 11 5. The manager of the community-based seed capital fund
7 12 shall have the burden of proof to demonstrate to the board the
7 13 community-based seed capital fund's qualifications under this
7 14 section, and shall have the obligation to notify the board in
7 15 a timely manner of any changes in the qualifications of the
7 16 community-based seed capital fund, in the qualifications of
7 17 any qualifying business in which the fund has invested, or in
7 18 the eligibility of limited partners or members to redeem the
7 19 investment tax credits in any year.

7 20 6. In the event that a community-based seed capital fund
7 21 fails to meet or maintain any requirement set forth in this
7 22 section, or in the event that the community-based seed capital
7 23 fund has not invested at least thirty-three percent of its
7 24 invested capital in no fewer than two separate qualifying
7 25 businesses, measured at the end of the thirty-sixth month
7 26 after commencing the fund's investing activities, the board
7 27 shall rescind any tax credit certificates issued to limited
7 28 partners or members and shall notify the department of revenue
7 29 and finance that it has done so, and the tax credit
7 30 certificates shall be null and void. However, a community-
7 31 based seed capital fund may apply to the board for a one-year
7 32 waiver from the requirements of this subsection.

7 33 7. An investor in a community-based seed capital fund
7 34 shall receive a tax credit pursuant to this division only for
7 35 the investor's investment in the community-based seed capital
8 1 fund and shall not receive any additional tax credit for the
8 2 investor's share of investments in a qualifying business made
8 3 by the community-based seed capital fund. However, an
8 4 investor in a community-based seed capital fund may receive a
8 5 tax credit under this division with respect to a separate
8 6 direct investment made by the investor in the same qualifying
8 7 business in which the community-based seed capital fund
8 8 invests.

8 9 8. A community-based seed capital fund shall not invest in
8 10 the Iowa fund of funds, if organized pursuant to 2002 Iowa
8 11 Acts, House File 2078, if enacted.

8 12 Sec. 6. NEW SECTION. 15E.46 REPORTS.

8 13 The board shall publish an annual report of the activities
8 14 conducted pursuant to this division and shall submit the
8 15 report to the governor and the general assembly. The report
8 16 shall include a listing of eligible qualifying businesses and
8 17 the number of tax credit certificates and the amount of tax
8 18 credits issued by the board.

8 19 Sec. 7. NEW SECTION. 422.11F INVESTMENT TAX CREDITS.

8 20 The taxes imposed under this division, less the credits
8 21 allowed under sections 422.12 and 422.12B, shall be reduced by
8 22 an investment tax credit authorized pursuant to section
8 23 15E.43.

8 24 Sec. 8. Section 422.33, Code Supplement 2001, is amended

8 25 by adding the following new subsection:
 8 26 NEW SUBSECTION. 12. The taxes imposed under this division
 8 27 shall be reduced by an investment tax credit authorized
 8 28 pursuant to section 15E.43.
 8 29 Sec. 9. Section 422.60, Code 2001, is amended by adding
 8 30 the following new subsection:
 8 31 NEW SUBSECTION. 4. The taxes imposed under this division
 8 32 shall be reduced by an investment tax credit authorized
 8 33 pursuant to section 15E.43.
 8 34 Sec. 10. NEW SECTION. 432.12A INVESTMENT TAX CREDITS.
 8 35 The tax imposed under this chapter shall be reduced by an
 9 1 investment tax credit authorized pursuant to section 15E.43.
 9 2 Sec. 11. Section 533.24, Code 2001, is amended by adding
 9 3 the following new unnumbered paragraph:
 9 4 NEW UNNUMBERED PARAGRAPH. The moneys and credits tax
 9 5 imposed under this section shall be reduced by an investment
 9 6 tax credit authorized pursuant to section 15E.43.
 9 7 Sec. 12. MONEYS AND CREDITS TAX. Section 25B.7 shall not
 9 8 apply to the tax credit authorized pursuant to section 15E.43
 9 9 and allowed against the moneys and credits tax.
 9 10 Sec. 13. EFFECTIVE AND RETROACTIVE APPLICABILITY DATE
 9 11 PROVISIONS. This Act, being deemed of immediate importance,
 9 12 takes effect upon enactment and applies retroactively to
 9 13 January 1, 2002, for tax years beginning on or after that
 9 14 date.
 9 15 Sec. 14. 2002 Iowa Acts, House File 2078, is amended by
 9 16 adding the following new section:
 9 17 SEC. 12. EFFECTIVE DATE. Sections 1 through 9 of this
 9 18 Act, being deemed of immediate importance, take effect upon
 9 19 the enactment of the Act creating a tax credit for investments
 9 20 in qualifying businesses and community-based seed capital
 9 21 funds as enacted by the Seventy-ninth General Assembly, 2002
 9 22 Regular Session.

9 23
 9 24
 9 25
 9 26 BRENT SIEGRIST
 9 27 Speaker of the House
 9 28
 9 29
 9 30

9 31 MARY E. KRAMER
 9 32 President of the Senate
 9 33

9 34 I hereby certify that this bill originated in the House and
 9 35 is known as House File 2271, Seventy-ninth General Assembly.

10 1
 10 2
 10 3
 10 4 MARGARET THOMSON
 10 5 Chief Clerk of the House
 10 6 Approved _____, 2002
 10 7
 10 8
 10 9

10 10 THOMAS J. VILSACK
 10 11 Governor

Text: [HF02270](#)

Text: [HF02200 - HF02299](#)

Bills and Amendments: [General Index](#)

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Bill History: [General Index](#)



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House File 2586

Partial Bill History

- Bill Introduced: [H.J. 706](#)
- Committee Report Issued: [S.J. 841](#)
- Passed House: [H.J. 962](#)
- Passed Senate: [S.J. 960](#)
- Signed by Governor: [H.J. 2071](#)
- [Complete Bill History](#)

Bill Text

PAG LIN

1 1 HOUSE FILE 2586

1 2

1 3 AN ACT

1 4 ALLOWING A TAX CREDIT FOR EQUITY INVESTMENTS IN VENTURE

1 5 CAPITAL FUNDS AND INCLUDING AN EFFECTIVE AND RETROACTIVE

1 6 APPLICABILITY DATE PROVISION.

1 7

1 8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 9

1 10 Section 1. NEW SECTION. 15E.51 VENTURE CAPITAL FUND

1 11 INVESTMENT TAX CREDITS.

1 12 1. For purposes of this section, "venture capital fund"

1 13 means a private seed and venture capital partnership or entity

1 14 fund that has been certified by the Iowa capital investment

1 15 board created in 2002 Iowa Acts, House File 2078, pursuant to

1 16 subsection 6.

1 17 2. A tax credit shall be allowed against the taxes imposed

1 18 in chapter 422, divisions II, III, and V, and in chapter 432,

1 19 and against the moneys and credits tax imposed in section

1 20 533.24, for a portion of a taxpayer's equity investment in a

1 21 venture capital fund. An individual may claim a tax credit

1 22 under this section of a partnership, limited liability

1 23 company, S corporation, estate, or trust electing to have

1 24 income taxed directly to the individual. The amount claimed

1 25 by the individual shall be based upon the pro rata share of

1 26 the individual's earnings from the partnership, limited

1 27 liability company, S corporation, estate, or trust.

1 28 3. The amount of a tax credit shall not exceed six percent

1 29 of the taxpayer's equity investment in venture capital funds.
1 30 3A. A taxpayer shall not claim a tax credit under this
1 31 section if the taxpayer is a venture capital investment fund
1 32 allocation manager for the Iowa fund of funds created in 2002
1 33 Iowa Acts, House File 2078, or an investor that receives a tax
1 34 credit for an investment in a community-based seed capital
1 35 fund as defined in 2002 Iowa Acts, House File 2271.

2 1 4. a. The Iowa capital investment board created in 2002
2 2 Iowa Acts, House File 2078, shall issue certificates which may
2 3 be redeemed for tax credits. The Iowa capital investment
2 4 board created in 2002 Iowa Acts, House File 2078, shall issue
2 5 certificates so that not more than a total of five million
2 6 dollars of tax credits may be claimed. The certificates shall
2 7 not be transferable.

2 8 b. The Iowa capital investment board created in 2002 Iowa
2 9 Acts, House File 2078, shall, in cooperation with the
2 10 department of revenue and finance, establish criteria and
2 11 procedures for the allocation and issuance of tax credits by
2 12 means of certificates issued by the Iowa capital investment
2 13 board created in 2002 Iowa Acts, House File 2078. The
2 14 criteria shall include the contingencies that must be met for
2 15 a certificate to be redeemable in order to receive a tax
2 16 credit. The procedures established by the Iowa capital
2 17 investment board created in 2002 Iowa Acts, House File 2078,
2 18 in cooperation with the department of revenue and finance,
2 19 shall relate to the procedures for the issuance of the
2 20 certificates and for the redemption of a certificate and
2 21 related tax credit.

2 22 5. A taxpayer shall not redeem a certificate and related
2 23 tax credit prior to the third tax year following the tax year
2 24 in which the investment is made. Any tax credit in excess of
2 25 the taxpayer's liability for the tax year may be credited to
2 26 the tax liability for the following five years or until
2 27 depleted, whichever is earlier. A tax credit shall not be
2 28 carried back to a tax year prior to the tax year in which the
2 29 taxpayer claims the tax credit.

2 30 6. A venture capital fund shall submit an application for
2 31 certification to the Iowa capital investment board created in
2 32 2002 Iowa Acts, House File 2078. The board shall approve the
2 33 application and certify the venture capital fund if all of the
2 34 following criteria are met:

2 35 a. The venture capital fund is a private seed and venture
3 1 capital partnership or entity fund.

3 2 b. The venture capital fund maintains a physical presence
3 3 within the state of Iowa.

3 4 c. The venture capital fund makes a commitment to consider
3 5 equity investments in businesses located within the state of
3 6 Iowa.

3 7 Sec. 2. NEW SECTION. 422.11G VENTURE CAPITAL FUND
3 8 INVESTMENT TAX CREDIT.
3 9 The tax imposed under this division, less the credits
3 10 allowed under sections 422.12 and 422.12B, shall be reduced by
3 11 a venture capital fund investment tax credit authorized
3 12 pursuant to section 15E.51.

3 13 Sec. 3. Section 422.33, Code Supplement 2001, is amended
3 14 by adding the following new subsection:
3 15 NEW SUBSECTION. 13. The taxes imposed under this division
3 16 shall be reduced by a venture capital fund investment tax
3 17 credit authorized pursuant to section 15E.51.

3 18 Sec. 4. Section 422.60, Code 2001, is amended by adding

3 19 the following new subsection:

3 20 NEW SUBSECTION. 5. The taxes imposed under this division
3 21 shall be reduced by a venture capital fund investment tax
3 22 credit authorized pursuant to section 15E.51.

3 23 Sec. 5. NEW SECTION. 432.12B VENTURE CAPITAL FUND
3 24 INVESTMENT TAX CREDIT.

3 25 The tax imposed under this chapter shall be reduced by a
3 26 venture capital fund investment tax credit authorized pursuant
3 27 to section 15E.51.

3 28 Sec. 6. Section 533.24, Code 2001, is amended by adding
3 29 the following new unnumbered paragraph:

3 30 NEW UNNUMBERED PARAGRAPH. The moneys and credits tax
3 31 imposed under this section shall be reduced by an investment
3 32 tax credit authorized pursuant to section 15E.51.

3 33 Sec. 7. IMPLEMENTATION OF ACT - MONEYS AND CREDITS TAX.
3 34 Section 25B.7 shall not apply to the tax credit authorized
3 35 pursuant to section 15E.51 and allowed against the moneys and
4 1 credits tax.

4 2 Sec. 8. EFFECTIVE AND RETROACTIVE APPLICABILITY DATE
4 3 PROVISIONS. This Act, being deemed of immediate importance,
4 4 takes effect upon enactment and applies retroactively to
4 5 January 1, 2002, for tax years beginning on or after that
4 6 date.

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4 10

BRENT SIEGRIST
Speaker of the House

4 11

4 12

4 13

4 14

4 15

MARY E. KRAMER
President of the Senate

4 16

4 17

4 18 I hereby certify that this bill originated in the House and
4 19 is known as House File 2586, Seventy-ninth General Assembly.

4 20

4 21

4 22

4 23

MARGARET THOMSON
Chief Clerk of the House

4 24

4 25 Approved _____, 2002

4 26

4 27

4 28

4 29 THOMAS J. VILSACK

4 30 Governor

Text: [HF02585](#)

Text: [HF02500](#) - [HF02599](#)

Bills and Amendments: [General Index](#)

Text: [HF02587](#)

Text: [HF Index](#)

Bill History: [General Index](#)



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Iowa Capital Investment Corporation

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What's New

- › Fund Manager Selected
- › Tax Credit Application Available: qualifying businesses & community-based seed capital funds
- › Tax Credit Application Available: equity investments in venture capital funds

Iowa Capital Investment Corp.
%Iowa Department of
Economic Development
200 E. Grand Ave.
Des Moines, IA 50309
+1.515.242.4817
icic@ided.state.ia.us

Iowa Capital Investment Board Status Report

Last update 3/3/03

Rules Adopted and Application Forms Available

The Iowa Capital Investment Board has finalized administrative rules and application procedures for the following programs:

1. Tax Credits for Investments in Qualifying Businesses and Community-Based Seed Funds (**House File 2271**) - This program provides for a tax credit for individuals who invest directly in a qualifying business or community-based seed capital fund.

Final rules became effective on January 1, 2003.

[View Rules](#)
[View Application](#)

2. Venture Capital Investment Credit (**House File 2586**) - This program provides a six percent tax credit for equity investments in venture capital funds.

Final rules to implement this tax credit program have been approved by the ICIB. The final rules were published in the Iowa Administrative Bulletin on February 5, 2003 and will become effective on March 12, 2003. Applications will be accepted on or after this effective date.

[View Rules](#)
[View Application](#)

Board Certifies 2 Community-based Seed Capital Funds and 7 Qualifying Businesses

As of February 24, 2003 the ICIB had received ten applications - two were from funds requesting certification as community-based seed funds and eight applicants sought certification to be designated as a qualifying business. At their February meeting, the ICIB certified 2 funds and 7 businesses. The 7 businesses and 2 community-based funds certified will generate approximately \$500,000 of tax credits.

Certified Community-based Seed Capital Funds:

Emerging Growth Capital Fund, LP

Des Moines, IA 50309

Ames Seed Capital Fund, LLC
Ames, IA

Certified Qualifying Businesses:

Brain Fingerprinting Laboratories, Inc.
Fairfield, IA 52556

Proplanner, Inc.
Ames, IA 50010

Sciengistics, LLC
Des Moines, IA 50309

Des Moines Technology Business Accelerator, LLC
Des Moines, IA 50309

Newsletter Ease, LLC
Des Moines, IA 50309

Web Interactive Solutions, LLC
Des Moines, IA 50309

Lightwaves Systems, Inc.
Cedar Rapids, IA 52402



Iowa Capital Investment Corporation

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What's New

- › [Fund Manager Selected](#)
- › [Tax Credit Application Available: qualifying businesses & community-based seed capital funds](#)
- › [Tax Credit Application Available: equity investments in venture capital funds](#)

Iowa Capital Investment Corp.
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Economic Development
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Iowa Capital Investment Board (ICIB) Information

The Iowa Capital Investment Board (ICIB) is the state board charged with the responsibility of developing a system for the registration and authorization of tax credits for:

1. investments in Qualifying Businesses and Community-based Seed Capital Funds;
2. establishing criteria and procedures for the issuance, transfer and redemption of contingent tax credits for investments made to the Iowa Fund of Funds; and
3. establishing a system for the issuance and redemption of tax credits for investments in Venture Capital Funds.

[Board members](#)[Board duties](#)[Contact information](#)[Implementation status report](#)

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8-15-03

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PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

UPS: check auto refs on p. 10

creating an equity investment individual income tax credit

Regen

1 AN ACT to amend 71.05 (6) (a) 15., 71.21 (4), 71.26 (2) (a), 71.34 (1) (g), 71.45 (2)
2 (a) 10. and 77.92 (4); and to create 71.07 (2r), 71.10 (4) (gx), 71.28 (2r), 71.30
3 (3) (eop), 71.47 (2r), 71.49 (1) (eop) and 560.03 (24) of the statutes; relating to:
4 creating an income and franchise tax credit for equity investments in a venture
5 capital fund) and granting rule-making authority.

the Wisconsin capital investment board

nonrefundable
Analysis by the Legislative Reference Bureau

This bill creates an income and franchise tax credit for equity investments in venture capital funds that are certified by the Department of Commerce, as described below. The amount of the tax credit is equal to 6% of the taxpayer's equity investment in venture capital funds in the taxable year, but the total amount of all such credits awarded in any fiscal year may not exceed \$5,000,000. If the credit claimed by a taxpayer exceeds the taxpayer's tax liability, the state will not issue a refund, but the taxpayer may carry forward any remaining credit to subsequent taxable years.

Under this bill, the Department of Commerce must promulgate rules establishing a procedure for certifying venture capital funds as eligible to receive equity investments that qualify for the tax credits described above. A venture capital fund may obtain a certification only if the venture capital fund is a private seed and venture capital partnership or entity fund, the venture capital fund maintains a physical presence in Wisconsin, and the venture capital fund makes a commitment to consider making equity investments in businesses located in Wisconsin. The bill requires the Department of Commerce, upon request of any person, to issue a written

(board)

board

the board to certify

board

This bill creates a Wisconsin investment board consisting of 8 members with expertise in venture capital and financial investments.

CAPITAL INVESTMENT BOARD

notice indicating whether a venture capital fund is certified as eligible to receive equity investments that qualify for the tax credits described above. Each such notice that indicates a venture capital fund is certified must include the following statement: "THE WISCONSIN ~~DEPARTMENT OF COMMERCE~~ HAS NOT RECOMMENDED OR APPROVED AN INVESTMENT IN THIS VENTURE CAPITAL FUND OR ASSESSED THE MERITS OR RISKS OF SUCH AN INVESTMENT. INVESTORS SHOULD RELY SOLELY ON THEIR OWN INVESTIGATION AND ANALYSIS AND SEEK INVESTMENT, FINANCIAL, LEGAL, AND TAX ADVICE BEFORE MAKING THEIR OWN DECISION REGARDING INVESTMENT IN THIS ENTERPRISE." The bill also requires the ~~Department of Commerce~~ upon issuing or discontinuing a certification, to notify the Department of Revenue and give the Department of Revenue a copy of the certification or discontinuance.

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

board

ISSUE ANALYSIS

ISSUE 2-1

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

1 SECTION ~~1.~~[✓] 71.05 (6) (a) 15. of the statutes is amended to read:

2 71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),
3 (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (2r), (3g), and (3s) and not passed through
4 by a partnership, limited liability company, or tax-option corporation that has added
5 that amount to the partnership's, company's, or tax-option corporation's income
6 under s. 71.21 (4) or 71.34 (1) (g).

7 SECTION ~~2.~~[✓] 71.07 (2r) of the statutes is created to read:

8 71.07 (2r) EQUITY INVESTMENT IN VENTURE CAPITAL FUND CREDIT. (a) In this
9 subsection:

1. "Board" means the Wisconsin capital investment board.

10 (2) "Claimant" means a sole proprietor, a partner, a member of a limited liability
11 company, or a shareholder of a tax-option corporation who files a claim under this
12 subsection.

13 (3) "Equity investment" means the purchase of an ownership interest.

560.20(2)

14 (4) "Venture capital fund" means a venture capital fund certified under s. 560.03.

15

1 (b) Subject to the limitations provided under this subsection, a claimant may
2 claim as a credit against the tax imposed under s. 71.02, ^{up to the amount of those taxes,} an amount equal to 6% of
3 the claimant's equity investment in a venture capital fund in the taxable year.

4 (c) 1. The total amount of ^{the claims for all claimants} ~~all credits claimed~~ under this subsection, s. 71.28 (2r),
5 and s. 71.47 (2r) may not exceed \$5,000,000 in any fiscal year.

6 ~~(2. The department of revenue may deny a portion of any credit claimed under~~
7 ~~this subsection, s. 71.28 (2r), or s. 71.47 (2r), if granting the full amount of ^{the} such credit~~
8 ~~would result in the total amount of all credits under this subsection, s. 71.28 (2r), and~~
9 ~~s. 71.47 (2r) exceeding the limit under subd. 1.~~

10 ~~(A) No credit may be allowed under this subsection unless the claimant submits~~
11 ~~with the claimant's return a notice issued by the ^{board} department of commerce under s.~~
12 ~~560.03 (24) (b) indicating that the ^{560.20 (3)} department of commerce has certified the venture~~
13 ~~capital fund as eligible to receive equity investments that qualify for the credit.~~

14 ~~(B) Section 71.28 (4) (e) to (h), as it applies to the credit under s. 71.28 (4), applies~~
15 ~~to the credit under this subsection.~~

16 ~~(C) Partnerships, limited liability companies, and tax-option corporations may~~
17 ~~not claim the credit under par. (b), but the eligibility for, and the amount of, the credit~~
18 ~~are based on their payment of an equity investment, as described in this subsection.~~
19 ~~A partnership, limited liability company, or tax-option corporation shall compute~~
20 ~~the amount of credit that each of its partners, members, or shareholders may claim~~
21 ~~and shall provide that information to each of them. Partners, members of limited~~
22 ~~liability companies, and shareholders of tax-option corporations may claim the~~
23 ~~credit in proportion to their ownership interest.~~

24 SECTION ~~3~~ 71.10 (4) (gx) of the statutes is created to read:

INSERT 3-23

1 71.10 (4) (gx) Equity investment in venture capital fund credit under s. 71.07 ✓
2 (2r).

3 ~~SECTION 4~~ 71.21 (4) of the statutes is amended to read: ✓

4 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),
5 (2dj), (2dL), (2dm), (2ds), (2dx), (2r), (3g), and (3s) and passed through to partners
6 shall be added to the partnership's income.

7 ~~SECTION 5~~ 71.26 (2) (a) of the statutes is amended to read: ✓

8 71.26 (2) (a) *Corporations in general.* The "net income" of a corporation means
9 the gross income as computed under the Internal Revenue Code as modified under
10 sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit
11 computed under s. 71.28 (1), (3), (4), and (5) plus the amount of the credit computed
12 under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (2r), and (3g) and
13 not passed through by a partnership, limited liability company, or tax-option
14 corporation that has added that amount to the partnership's, limited liability
15 company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1) (g) plus
16 the amount of losses from the sale or other disposition of assets the gain from which
17 would be wholly exempt income, as defined in sub. (3) (L), if the assets were sold or
18 otherwise disposed of at a gain and minus deductions, as computed under the
19 Internal Revenue Code as modified under sub. (3), plus or minus, as appropriate, an
20 amount equal to the difference between the federal basis and Wisconsin basis of any
21 asset sold, exchanged, abandoned, or otherwise disposed of in a taxable transaction
22 during the taxable year, except as provided in par. (b) and s. 71.45 (2) and (5).

23 ~~SECTION 6~~ 71.28 (2r) of the statutes is created to read: ✓

24 71.28 (2r) EQUITY INVESTMENT IN VENTURE CAPITAL FUND CREDIT. (a) In this
25 subsection:

1. "Board" means the Wisconsin capital investment board.

1 (2) r. "Claimant" means a person who files a claim under this subsection.

2 (3) r. "Equity investment" means the purchase of an ownership interest.

3 (4) r. "Venture capital fund" means a venture capital fund certified under s. 560.03

4 ~~424~~ (560.20(2))

5 (b) Subject to the limitations provided under this subsection, a claimant may
6 claim as a credit against the tax imposed under s. 71.23 ^{up to the amount of those} an amount equal to 6% of ^{taxes,}
7 the claimant's equity investment in a venture capital fund in the taxable year.

8 (c) 1. The total amount of ^{the claims for all claimants} ~~all credits claimed~~ under this subsection, s. 71.07 (2r),
9 and s. 71.47 (2r) may not exceed \$5,000,000 in any fiscal year.

10 2. ~~The department of revenue may deny a portion of any credit claimed under
11 this subsection, s. 71.07 (2r), or s. 71.47 (2r), if granting the full amount of such credit
12 would result in the total amount of all credits under this subsection, s. 71.07 (2r), and
13 s. 71.47 (2r) exceeding the limit under subd. 1.~~

14 ~~(a)~~ ^{2.} No credit may be allowed under this subsection unless the claimant submits
15 with the claimant's return a notice issued by the ~~department of commerce~~ ^{board} under s.
16 ~~560.03 (24) (b)~~ ^{560.20(3)} indicating that the ~~department of commerce~~ has certified the venture
17 capital fund as eligible to receive equity investments that qualify for the credit.

18 ~~(c)~~ ^{3.} Subsection (4) (e) to (h), as it applies to the credit under sub. (4), applies to
19 the credit under this subsection.

20 ~~(d)~~ ^{4.} Partnerships, limited liability companies, and tax-option corporations may
21 not claim the credit under par. (b), but the eligibility for, and the amount of, the credit
22 are based on their payment of an equity investment, as described in this subsection.
23 A partnership, limited liability company, or tax-option corporation shall compute
24 the amount of credit that each of its partners, members, or shareholders may claim
25 and shall provide that information to each of them. Partners, members of limited

1 liability companies, and shareholders of tax-option corporations may claim the
2 credit in proportion to their ownership interest.

3 SECTION ~~7~~[#] 71.30 (3) (eop) of the statutes is created to read:

4 71.30 (3) (eop) Equity investment in venture capital fund credit under s. 71.28
5 (2r).

6 SECTION ~~8~~[#] 71.34 (1) (g) of the statutes is amended to read:

7 71.34 (1) (g) An addition shall be made for credits computed by a tax-option
8 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (2r), (3),
9 and (3g) and passed through to shareholders.

10 SECTION ~~9~~[#] 71.45 (2) (a) 10. of the statutes is amended to read:

11 71.45 (2) (a) 10. By adding to federal taxable income the amount of credit
12 computed under s. 71.47 (1dd) to (1dx) and (2r) and not passed through by a
13 partnership, limited liability company or tax-option corporation that has added that
14 amount to the partnership's, limited liability company's or tax-option corporation's
15 income under s. 71.21 (4) or 71.34 (1) (g) and the amount of credit computed under
16 s. 71.47 (1), (3), (4), and (5).

17 SECTION ~~10~~[#] 71.47 (2r) of the statutes is created to read:

18 71.47 (2r) EQUITY INVESTMENT IN VENTURE CAPITAL FUND CREDIT. (a) In this
19 subsection: 1. "Board" means the Wisconsin ^{Capital} investment board.

20 2. "Claimant" means a person who files a claim under this subsection.

21 3. "Equity investment" means the purchase of an ownership interest.

22 4. "Venture capital fund" means a venture capital fund certified under s. 560.03

23 ~~560.03~~ (560.20 (2))

1 (b) Subject to the limitations provided under this subsection, a claimant may
2 claim as a credit against the tax imposed under s. 71.43, ^{up to the amount of those} an amount equal to 6% of ^{taxes,}
3 the claimant's equity investment in a venture capital fund in the taxable year.

4 (c) 1. The total amount of ^{The claims for all claimants} ~~all credits claimed~~ under this subsection, s. 71.07 (2r),
5 and s. 71.28 (2r) may not exceed \$5,000,000 in any fiscal year.

6 ~~2. The department of revenue may deny a portion of any credit claimed under
7 this subsection, s. 71.07 (2r), or s. 71.28 (2r), if granting the full amount of such
8 credits would result in the total amount of all credits under this subsection, s. 71.07
9 (2r), and s. 71.28 (2r) exceeding the limitation under subd. 1.~~

10 ~~2.~~ ^{2.} No credit may be allowed under this subsection unless the claimant submits
11 with the claimant's return a notice issued by the ~~department of commerce~~ ^{board} under s.
12 ~~560.03 (24) (b)~~ ^{560.20(3)} indicating that the ~~department of commerce~~ ^{board} has certified the venture
13 capital fund as eligible to receive equity investments that qualify for the credit.

14 ^{3.} Section 71.28 (4) (e) to (h), as it applies to the credit under s. 71.28 (4), applies
15 to the credit under this subsection.

16 ^{4.} Partnerships, limited liability companies, and tax-option corporations may
17 not claim the credit under par. (b), but the eligibility for, and the amount of, the credit
18 are based on their payment of an equity investment, as described in this subsection.
19 A partnership, limited liability company, or tax-option corporation shall compute
20 the amount of credit that each of its partners, members, or shareholders may claim
21 and shall provide that information to each of them. Partners, members of limited
22 liability companies, and shareholders of tax-option corporations may claim the
23 credit in proportion to their ownership interest.

24 SECTION ~~11~~ ¹¹. 71.49 (1) (eop) of the statutes is created to read:

1 71.49 (1) (eop) Equity investment in venture capital fund credit under s. 71.47

(2r).

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8-24

SECTION 12. 77.92 (4) of the statutes is amended to read:

77.92 (4) "Net business income", with respect to a partnership, means taxable income as calculated under section 703 of the Internal Revenue Code; plus the items of income and gain under section 702 of the Internal Revenue Code, including taxable state and municipal bond interest and excluding nontaxable interest income or dividend income from federal government obligations; minus the items of loss and deduction under section 702 of the Internal Revenue Code, except items that are not deductible under s. 71.21; plus guaranteed payments to partners under section 707 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), and (2r), (3g), and (3s); and plus or minus, as appropriate, transitional adjustments, depreciation differences, and basis differences under s. 71.05 (13), (15), (16), (17), and (19); but excluding income, gain, loss, and deductions from farming. "Net business income", with respect to a natural person, estate, or trust, means profit from a trade or business for federal income tax purposes and includes net income derived as an employee as defined in section 3121

(18) (d) (3) of the Internal Revenue Code.

SECTION 13. 560.03 (24) of the statutes is created to read:

560.03 (24) Certify venture capital funds as follows:

board, in consultation with the

CERTIFICATION.

(a) The department, shall promulgate rules establishing a procedure for the department to certify venture capital funds as eligible to receive equity investments that qualify for the tax credits under ss. 71.07 (2r), 71.28 (2r), and 71.47 (2r). The rules shall do all of the following:

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8-18

1 1. Require a venture capital fund that desires to obtain a certification to file an
2 application with the ~~department~~ board

3 2. Permit a venture capital fund to obtain a certification only if the venture
4 capital fund is a private seed and venture capital partnership or entity fund, the
5 venture capital fund maintains a physical presence in Wisconsin, and the venture
6 capital fund makes a commitment to consider making equity investments in
7 businesses located in Wisconsin.

8 3. Require an applicant for certification or a certified venture capital fund to
9 provide the ~~department~~ board with any information the ~~department~~ board determines is
10 necessary to ensure eligibility for certification and compliance with this ~~subsection~~ paragraph
11 and rules promulgated under this ~~subsection~~ paragraph

12 (3) Upon request of any person, the ~~department~~ board shall issue a written notice
13 indicating whether a venture capital fund is certified under this ~~subsection~~ paragraph
14 ~~eligible to receive equity investments that qualify for the tax credits under ss. 71.07~~
15 ~~(2r), 71.28 (2r), and 71.47 (2r).~~ Each notice under this ~~paragraph~~ subsection that indicates a
16 venture capital fund is certified shall include the following statement: "THE

17 WISCONSIN ~~DEPARTMENT OF COMMERCE~~ CAPITAL INVESTMENT BOARD HAS NOT RECOMMENDED OR APPROVED AN
18 INVESTMENT IN THIS ~~VENTURE CAPITAL FUND~~ ENTITY OR ASSESSED THE MERITS OR RISKS OF SUCH AN
19 INVESTMENT. INVESTORS SHOULD RELY SOLELY ON THEIR OWN INVESTIGATION AND ANALYSIS
20 AND SEEK INVESTMENT, FINANCIAL, LEGAL, AND TAX ADVICE BEFORE MAKING THEIR OWN
21 DECISION REGARDING INVESTMENT IN THIS ~~ENTERPRISE~~ ENTITY."

22 (4) Upon the issuance or discontinuance of a certification, the ~~department~~ board shall
23 notify the department of revenue and provide the department of revenue a copy of
24 the certification or discontinuance.

25 **SECTION 14. Nonstatutory provisions.**

(5) ~~Announcements.~~ The board may employ an executive director outside
the classified service who may employ staff within the classified service with appropriate
qualifications expertise to carry out this section.

INSTR 9-11
(CS) NOTICE OF CERTIFICATION

(CS) NOTICE OF DECERTIFICATION

(CS) STAFF

Community-based seed capital fund, or business

4-

Wisconsin capital investment board

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(1) RULES. The ~~department of commerce~~ shall submit in proposed form the rules required under section ~~560.24 (1)~~ ^{560.20 (2)} of the statutes, as created by this act, to the legislative council staff under section 227.15 (1) of the statutes no later than the first day of the 6th month beginning after the effective date of this subsection.

SECTION 15. Initial applicability.

(1) This act first applies to taxable years beginning on January 1 of the year in which this subsection takes effect, except that if this subsection takes effect after July 31 this act first applies to taxable years beginning on January 1 of the year following the year in which this subsection takes effect.

SECTION 16. Effective dates. This act takes effect on the first day of the 8th month beginning after publication, except as follows:

(1) RULES. SECTION 14 (1) ^{A.R. 1} ^{A.R. 2} of this act takes effect on the day after publication.

(END)

D-note