



NEW

**ASSEMBLY SUBSTITUTE AMENDMENT,  
TO 2003 ASSEMBLY BILL 531**

REGEN

1 AN ACT *to repeal* 560.30 (10) (c) and 560.37 (3m) (a) 1.; *to renumber* 560.32 (2)  
2 (c); *to renumber and amend* 76.635 (2), 560.30 (9), 560.31 (1), 560.32 (2) (b),  
3 560.32 (3), 560.33 (1) (b), 560.33 (2), 560.34 (1) (d), 560.34 (1m) (a) 2., 560.34 (2),  
4 560.36 (intro.) and 560.36 (1) to (4); *to consolidate, renumber and amend*  
5 560.37 (3m) (a) (intro.) and 2.; *to amend* 71.05 (6) (a) 15., 71.21 (4), 71.26 (2)  
6 (a), 71.34 (1) (g), 71.45 (2) (a) 10., 77.92 (4), subchapter II (title) of chapter  
7 [precedes 560.30], 560.30 (3), 560.30 (10) (intro.), 560.30 (10) (a), 560.30 (10) (b),  
8 560.30 (10) (d), 560.31 (2) (intro.), 560.31 (2) (b), 560.32 (2) (d), 560.33 (1)  
9 (intro.), 560.33 (1) (a), 560.33 (1) (e), 560.33 (1) (g), 560.34 (1) (intro.), 560.34 (1)  
10 (a) 1., 560.34 (1) (a) 2. a., 560.34 (1) (a) 2. b., 560.34 (1) (b), 560.34 (1) (c), 560.34  
11 (1) (e), 560.34 (1m) (b), 560.34 (4), 560.35 (2) (intro.), 560.35 (2) (a), 560.35 (2)  
12 (c), 560.35 (3), 560.37 (4) and 560.37 (5); and *to create* 71.07 (7m), 71.10 (4) (cp),  
13 71.28 (7m), 71.30 (3) (dm), 71.47 (7), 71.47 (7m), 71.49 (1) (dm), 71.49 (1) (dn),

1 76.635 (2) (b), 560.30 (5g), 560.30 (5r), 560.30 (9) (d), 560.30 (10) (e), 560.30 (10)  
2 (f), 560.31 (2) (g), 560.31 (2) (h), 560.31 (2) (i), 560.31 (2) (j), 560.31 (2) (k), 560.32  
3 (2) (b) 2., 560.32 (2) (c) 2., 560.32 (3) (b), 560.33 (1) (b) 2., 560.33 (1) (h), 560.33  
4 (1) (i), 560.33 (1) (j), 560.33 (1) (k), 560.33 (2) (b) and (c), 560.34 (1) (d) 2., 560.34  
5 (1) (f), 560.34 (1g), 560.34 (1m) (a) 2. b., 560.34 (2) (a) to (k), 560.34 (5), 560.34  
6 (6), 560.35 (1c), 560.35 (1r), 560.35 (2) (d), 560.36 (2m) and 560.37 (1m) of the  
7 statutes; **relating to:** certified capital companies, creating a certified capital  
8 company income and franchise tax credit, requesting a performance audit,  
9 providing an exemption from emergency rule procedures, and requiring the  
10 exercise of rule-making authority.

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

11 **SECTION 1.** 71.05 (6) (a) 15. of the statutes is amended to read:

12 71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),  
13 (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), ~~and (3s)~~, and (7m) and not passed  
14 through by a partnership, limited liability company, or tax-option corporation that  
15 has added that amount to the partnership's, company's, or tax-option corporation's  
16 income under s. 71.21 (4) or 71.34 (1) (g).

17 **SECTION 2.** 71.07 (7m) of the statutes is created to read:

18 71.07 (7m) CERTIFIED CAPITAL COMPANY CREDIT. (a) In this subsection:

19 1. "Certified capital company" has the meaning given in s. 560.30 (2).

20 2. "Certified capital investment" has the meaning given in s. 560.30 (4).

21 3. "Claimant" means a person who is subject to taxation under subchs. I, II, and  
22 IV of ch. 76, a credit union organized under ch. 186, a savings bank organized under

1 ch. 214, a savings and loan association organized under ch. 215, or a bank organized  
2 under ch. 221.

3 4. “Investment date” has the meaning given in s. 560.30 (6).

4 5. “Investment pool” has the meaning given in s. 560.30 (7).

5 6. “Qualified investment” has the meaning given in s. 560.30 (11).

6 (b) A claimant who makes a certified capital investment of at least \$1,000,000  
7 may claim as a credit against the tax imposed under ss. 71.02 and 71.08, up to the  
8 amount of those taxes, for 10 years beginning with the year of the investment, an  
9 amount equal to either 7.5 percent of that investment for the first 2 taxable years and  
10 10.625 percent of that investment for the remaining 8 taxable years or the amount  
11 by which the sum of the claimant’s certified capital investments and the claimant’s  
12 qualified investments exceeds the claimant’s qualified investments in the taxable  
13 year before the claimant first claimed the credit under this subsection, whichever is  
14 less.

15 (c) Subsection 71.28 (4) (e), (f), (g), and (h), as it applies to the credit under 71.28  
16 (4), applies to the credit under this subsection.

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

1 (e) 1. If a certified capital company is decertified, or an investment pool is  
2 disqualified, under s. 560.37 before the certified capital company fulfills the  
3 investment requirement under s. 560.34 (1m) (a) 1. with respect to the investment  
4 pool, any claimant that has received a credit under this subsection with respect to  
5 that investment pool shall repay that credit to the department of revenue and may  
6 not claim more credit in respect to that investment pool.

7 2. If a certified capital company fulfills the investment requirement under s.  
8 560.34 (1m) (a) 1. with respect to an investment pool but the certified capital  
9 company is decertified, or an investment pool is disqualified, under s. 560.37 before  
10 the certified capital company fulfills the investment requirement under s. 560.34  
11 (1m) (a) 2. for that investment pool, any claimant that has received a credit under  
12 this subsection with respect to that investment pool shall repay all credits that were  
13 claimed for taxable years after the taxable year that includes the 3rd anniversary of  
14 the investment date of the investment pool and may claim no more credits for taxable  
15 years after the taxable year that includes the 3rd anniversary of the investment date  
16 of the investment pool.

17 **SECTION 3.** 71.10 (4) (cp) of the statutes is created to read:

18 71.10 (4) (cp) The certified capital company credit under s. 71.07 (7m).

19 **SECTION 4.** 71.21 (4) of the statutes is amended to read:

20 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),  
21 (2dj), (2dL), (2dm), (2ds), (2dx), (3g), and (3s), and (7m) and passed through to  
22 partners shall be added to the partnership's income.

23 **SECTION 5.** 71.26 (2) (a) of the statutes is amended to read:

24 71.26 (2) (a) *Corporations in general.* The "net income" of a corporation means  
25 the gross income as computed under the Internal Revenue Code as modified under

1 sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit  
2 computed under s. 71.28 (1), (3), (4), and (5) plus the amount of the credit computed  
3 under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), ~~and (3g), and (7m)~~  
4 and not passed through by a partnership, limited liability company, or tax-option  
5 corporation that has added that amount to the partnership's, limited liability  
6 company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1) (g) plus  
7 the amount of losses from the sale or other disposition of assets the gain from which  
8 would be wholly exempt income, as defined in sub. (3) (L), if the assets were sold or  
9 otherwise disposed of at a gain and minus deductions, as computed under the  
10 Internal Revenue Code as modified under sub. (3), plus or minus, as appropriate, an  
11 amount equal to the difference between the federal basis and Wisconsin basis of any  
12 asset sold, exchanged, abandoned, or otherwise disposed of in a taxable transaction  
13 during the taxable year, except as provided in par. (b) and s. 71.45 (2) and (5).

14 **SECTION 6.** 71.28 (7m) of the statutes is created to read:

15 **71.28 (7m) CERTIFIED CAPITAL COMPANY CREDIT.** (a) In this subsection:

16 1. "Certified capital company" has the meaning given in s. 560.30 (2).

17 2. "Certified capital investment" has the meaning given in s. 560.30 (4).

18 3. "Claimant" means a person who is subject to taxation under subchs. I, II, and  
19 IV of ch. 76, a credit union organized under ch. 186, a savings bank organized under  
20 ch. 214, a savings and loan association organized under ch. 215, or a bank organized  
21 under ch. 221.

22 4. "Investment date" has the meaning given in s. 560.30 (6).

23 5. "Investment pool" has the meaning given in s. 560.30 (7).

24 6. "Qualified investment" has the meaning given in s. 560.30 (11).

1 (b) A claimant who makes a certified capital investment of at least \$1,000,000  
2 may claim as a credit against the tax imposed under s. 71.23, up to the amount of  
3 those taxes, for 10 years beginning with the year of the investment, an amount equal  
4 to either 7.5 percent of that investment for the first 2 taxable years and 10.625  
5 percent of that investment for the remaining 8 taxable years or the amount by which  
6 the sum of the claimant's certified capital investments and the claimant's qualified  
7 investments exceeds the claimant's qualified investments in the taxable year before  
8 the claimant first claimed the credit under this subsection, whichever is less.

9 (c) Subsection (4) (e), (f), (g), and (h), as it applies to the credit under sub. (4),  
10 applies to the credit under this subsection.

11 (d) Partnerships, limited liability companies, and tax-option corporations may  
12 not claim the credit under this subsection, but the eligibility for, and the amount of,  
13 the credit are based on their payment of a certified capital investment. A  
14 partnership, limited liability company, or tax-option corporation shall compute the  
15 amount of credit that each of its partners, members, or shareholders may claim and  
16 shall provide that information to each of them. Partners, members of limited liability  
17 companies, and shareholders of tax-option corporations may claim the credit in  
18 proportion to their ownership interest.

19 (e) 1. If a certified capital company is decertified, or an investment pool is  
20 disqualified, under s. 560.37 before the certified capital company fulfills the  
21 investment requirement under s. 560.34 (1m) (a) 1. with respect to the investment  
22 pool, any claimant that has received a credit under this subsection with respect to  
23 that investment pool shall repay that credit to the department of revenue and may  
24 not claim more credit in respect to that investment pool.

1           2. If a certified capital company fulfills the investment requirement under s.  
2 560.34 (1m) (a) 1. with respect to an investment pool but the certified capital  
3 company is decertified, or an investment pool is disqualified, under s. 560.37 before  
4 the certified capital company fulfills the investment requirement under s. 560.34  
5 (1m) (a) 2. for that investment pool, any claimant that has received a credit under  
6 this subsection with respect to that investment pool shall repay all credits that were  
7 claimed for taxable years after the taxable year that includes the 3rd anniversary of  
8 the investment date of the investment pool and may claim no more credits for taxable  
9 years after the taxable year that includes the 3rd anniversary of the investment date  
10 of the investment pool.

11           **SECTION 7.** 71.30 (3) (dm) of the statutes is created to read:

12           71.30 (3) (dm) The certified capital company credit under s. 71.28 (7m).

13           **SECTION 8.** 71.34 (1) (g) of the statutes is amended to read:

14           71.34 (1) (g) An addition shall be made for credits computed by a tax-option  
15 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3), and  
16 (3g), and (7m) and passed through to shareholders.

17           **SECTION 9.** 71.45 (2) (a) 10. of the statutes is amended to read:

18           71.45 (2) (a) 10. By adding to federal taxable income the amount of credit  
19 computed under s. 71.47 (1dd) to (1dx), (7) and (7m) and not passed through by a  
20 partnership, limited liability company, or tax-option corporation that has added that  
21 amount to the partnership's, limited liability company's, or tax-option corporation's  
22 income under s. 71.21 (4) or 71.34 (1) (g) and the amount of credit computed under  
23 s. 71.47 (1), (3), (4), and (5).

24           **SECTION 10.** 71.47 (7) of the statutes is created to read:

25           71.47 (7) CERTIFIED CAPITAL COMPANY CREDIT. (a) In this subsection:

- 1 1. “Certified capital company” has the meaning given in s. 560.30 (2).
- 2 2. “Certified capital investment” has the meaning given in s. 560.30 (4).
- 3 3. “Investment date” has the meaning given in s. 560.30 (6).
- 4 4. “Investment pool” has the meaning given in s. 560.30 (7).
- 5 5. “Qualified investment” has the meaning given in s. 560.30 (11).

6 (b) An insurer who makes a certified capital investment of at least \$1,000,000  
7 may claim as a credit against the tax imposed under s. 71.43, for 10 years beginning  
8 with the year of the investment, an amount equal to either 7.5 percent of that  
9 investment for the first 2 taxable years and 10.625 percent of that investment for the  
10 remaining 8 taxable years or the amount by which the sum of the insurer’s certified  
11 capital investments and the insurer’s qualified investments exceeds the insurer’s  
12 qualified investments in the taxable year before the insurer first claimed the credit  
13 under this section, whichever is less.

14 (c) Section 71.28 (4) (e), (f), (g), and (h), as it applies to the credit under s. 71.28  
15 (4), applies to the credit under this subsection.

16 (d) 1. If a certified capital company is decertified, or an investment pool is  
17 disqualified, under s. 560.37 before the certified capital company fulfills the  
18 investment requirement under s. 560.34 (1m) (a) 1. with respect to the investment  
19 pool, any insurer that has received a credit under this subsection with respect to that  
20 investment pool shall repay that credit to the department of revenue and may not  
21 claim more credit in respect to that investment pool.

22 2. If a certified capital company fulfills the investment requirement under s.  
23 560.34 (1m) (a) 1. with respect to an investment pool but the certified capital  
24 company is decertified, or an investment pool is disqualified, under s. 560.37 before  
25 the certified capital company fulfills the investment requirement under s. 560.34

1 (1m) (a) 2. for that investment pool, any insurer that has received a credit under this  
2 subsection with respect to that investment pool shall repay all credits that were  
3 claimed for taxable years after the taxable year that includes the 3rd anniversary of  
4 the investment date of the investment pool and may claim no more credits for taxable  
5 years after the taxable year that includes the 3rd anniversary of the investment date  
6 of the investment pool.

7 (e) An insurer may sell a credit under this subsection to another insurer who  
8 is subject to the tax imposed under s. 71.43 if the insurer notifies the commissioner  
9 of insurance and the department of revenue of the sale and includes with such  
10 notifications copies of the transfer documents.

11 SECTION 11. 71.47 (7m) of the statutes is created to read:

12 71.47 (7m) CERTIFIED CAPITAL COMPANY CREDIT. (a) In this subsection:

- 13 1. "Certified capital company" has the meaning given in s. 560.30 (2).
- 14 2. "Certified capital investment" has the meaning given in s. 560.30 (4).
- 15 3. "Claimant" means a person who is subject to taxation under subchs. I, II, and  
16 IV of ch. 76, a credit union organized under ch. 186, a savings bank organized under  
17 ch. 214, a savings and loan association organized under ch. 215, or a bank organized  
18 under ch. 221.
- 19 4. "Investment date" has the meaning given in s. 560.30 (6).
- 20 5. "Investment pool" has the meaning given in s. 560.30 (7).
- 21 6. "Qualified investment" has the meaning given in s. 560.30 (11).

22 (b) A claimant who makes a certified capital investment of at least \$1,000,000  
23 may claim as a credit against the tax imposed under s. 71.43, up to the amount of  
24 those taxes, for 10 years beginning with the year of the investment, an amount equal  
25 to either 7.5 percent of that investment for the first 2 taxable years and 10.625

1 percent of that investment for the remaining 8 taxable years or the amount by which  
2 the sum of the claimant's certified capital investments and the claimant's qualified  
3 investments exceeds the claimant's qualified investments in the taxable year before  
4 the claimant first claimed the credit under this subsection, whichever is less.

5 (c) Subsection 71.28 (4) (e), (f), (g), and (h), as it applies to the credit under 71.28  
6 (4), applies to the credit under this subsection.

7 (d) Partnerships, limited liability companies, and tax-option corporations may  
8 not claim the credit under this subsection, but the eligibility for, and the amount of,  
9 the credit are based on their payment of a certified capital investment. A  
10 partnership, limited liability company, or tax-option corporation shall compute the  
11 amount of credit that each of its partners, members, or shareholders may claim and  
12 shall provide that information to each of them. Partners, members of limited liability  
13 companies, and shareholders of tax-option corporations may claim the credit in  
14 proportion to their ownership interest.

15 (e) 1. If a certified capital company is decertified, or an investment pool is  
16 disqualified, under s. 560.37 before the certified capital company fulfills the  
17 investment requirement under s. 560.34 (1m) (a) 1. with respect to the investment  
18 pool, any claimant that has received a credit under this subsection with respect to  
19 that investment pool shall repay that credit to the department of revenue and may  
20 not claim more credit in respect to that investment pool.

21 2. If a certified capital company fulfills the investment requirement under s.  
22 560.34 (1m) (a) 1. with respect to an investment pool but the certified capital  
23 company is decertified, or an investment pool is disqualified, under s. 560.37 before  
24 the certified capital company fulfills the investment requirement under s. 560.34  
25 (1m) (a) 2. for that investment pool, any claimant that has received a credit under

1 this subsection with respect to that investment pool shall repay all credits that were  
2 claimed for taxable years after the taxable year that includes the 3rd anniversary of  
3 the investment date of the investment pool and may claim no more credits for taxable  
4 years after the taxable year that includes the 3rd anniversary of the investment date  
5 of the investment pool.

6 **SECTION 12.** 71.49 (1) (dm) of the statutes is created to read:

7 71.49 (1) (dm) Certified capital company credit under s. 71.47 (7).

8 **SECTION 13.** 71.49 (1) (dn) of the statutes is created to read:

9 71.49 (1) (dn) The certified capital company credit under s. 71.47 (7m).

10 **SECTION 14.** 76.635 (2) of the statutes is renumbered 76.635 (2) (a) and  
11 amended to read:

12 76.635 (2) (a) ~~An~~ For taxable years beginning before July 1, 2005, an insurer  
13 that makes a certified capital investment may credit against the fees due under s.  
14 76.60, 76.63, 76.65, 76.66 or 76.67, for 10 years beginning with the year of the  
15 investment, either ~~10%~~ 10 percent of that investment or the amount by which the  
16 sum of the insurer's certified capital investments and the insurer's qualified  
17 investments exceeds the insurer's qualified investments in the taxable year before  
18 the insurer first claimed the credit under this section, whichever is less.

19 **SECTION 15.** 76.635 (2) (b) of the statutes is created to read:

20 76.635 (2) (b) For taxable years beginning after June 30, 2005, an insurer that  
21 makes a certified capital investment may credit against the fees due under s. 76.60,  
22 76.63, 76.65, 76.66 or 76.67, for 10 years beginning with the year of the investment,  
23 either 7.5 percent of that investment for the first 2 taxable years and 10.625 percent  
24 of that investment for the remaining 8 taxable years or the amount by which the sum  
25 of the insurer's certified capital investments and the insurer's qualified investments

1 exceeds the insurer’s qualified investments in the taxable year before the insurer  
2 first claimed the credit under this section, whichever is less.

3 SECTION 16. 77.92 (4) of the statutes is amended to read:

4 77.92 (4) “Net business income”, with respect to a partnership, means taxable  
5 income as calculated under section 703 of the Internal Revenue Code; plus the items  
6 of income and gain under section 702 of the Internal Revenue Code, including taxable  
7 state and municipal bond interest and excluding nontaxable interest income or  
8 dividend income from federal government obligations; minus the items of loss and  
9 deduction under section 702 of the Internal Revenue Code, except items that are not  
10 deductible under s. 71.21; plus guaranteed payments to partners under section 707  
11 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),  
12 (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), ~~and (3g), and (3s), and (7m)~~; and plus or  
13 minus, as appropriate, transitional adjustments, depreciation differences, and basis  
14 differences under s. 71.05 (13), (15), (16), (17), and (19); but excluding income, gain,  
15 loss, and deductions from farming. “Net business income”, with respect to a natural  
16 person, estate, or trust, means profit from a trade or business for federal income tax  
17 purposes and includes net income derived as an employee as defined in section 3121  
18 (d) (3) of the Internal Revenue Code.

19 SECTION 17. Subchapter II (title) of chapter [precedes 560.30] of the statutes  
20 is amended to read:

21 CHAPTER 560

22 SUBCHAPTER II

23 CERTIFIED WISCONSIN CAPITAL COMPANIES

24 SECTION 18. 560.30 (3) of the statutes is amended to read:

1           560.30 (3) “Certified capital company tax credit” means the tax credit under  
2 ~~s. ss. 71.07 (7m), 71.28 (7m), 71.47 (7) and (7m), and 76.635.~~

3           **SECTION 19.** 560.30 (5g) of the statutes is created to read:

4           560.30 (5g) “Early stage business” means a qualified business that satisfies  
5 any of the following criteria:

6           (a) At the time that a certified capital company makes an initial investment in  
7 the business, the business is involved in activities related to prototype development,  
8 establishment of initial production or service processes, or other development of  
9 initial product or service offerings.

10           (b) During the fiscal year preceding the year in which a certified capital  
11 company makes an initial investment in the business, the business had gross  
12 revenues of less than \$2,000,000, on a consolidated basis, as determined in  
13 accordance with generally accepted accounting principles.

14           (c) The business is approved as an early stage business by the department  
15 under s. 560.33 (2).

16           **SECTION 20.** 560.30 (5r) of the statutes is created to read:

17           560.30 (5r) “Investment criteria” means the investment criteria submitted to  
18 the department under s. 560.31 (2) (j), or any investment criteria subsequently  
19 approved as provided under the rules of the department.

20           **SECTION 21.** 560.30 (9) of the statutes is renumbered 560.30 (9) (intro.) and  
21 amended to read:

22           560.30 (9) (intro.) “Qualified debt instrument” means a debt instrument that  
23 a certified capital company issues at par value or at a premium; ~~that has and that~~  
24 satisfies all of the following criteria:

1           (a) The debt instrument has an original maturity date of at least 5 years from  
2           the date on which it was issued; ~~that.~~

3           (b) The debt instrument has a repayment schedule that is no faster than a level  
4           principal amortization ~~and, until over 5 years.~~

5           (c) Until the certified capital company may make distributions other than  
6           qualified distributions, the interest, distribution or payment features of which the  
7           debt instrument are not related to the certified capital company's profitability or the  
8           performance of its investment portfolio.

9           **SECTION 22.** 560.30 (9) (d) of the statutes is created to read:

10           560.30 (9) (d) The debt instrument does not permit the certified investor to  
11           receive prepayment of interest.

12           **SECTION 23.** 560.30 (10) (intro.) of the statutes is amended to read:

13           560.30 (10) (intro.) "Qualified distribution" means a distribution or payment  
14           by a certified capital company ~~to its equity holders~~ for any of the following:

15           **SECTION 24.** 560.30 (10) (a) of the statutes is amended to read:

16           560.30 (10) (a) The costs of forming, and syndicating, ~~managing or operating~~

17           the certified capital company, up to ~~2.5 percent of the investment pool of \$750,000,~~

18           ~~whichever is less.~~

19           **SECTION 25.** 560.30 (10) (b) of the statutes is amended to read:

20           560.30 (10) (b) An annual management fee that does not exceed 2.5% of the  
21           certified capital company's total certified capital or the cost of managing and  
22           operating the certified capital company, whichever is less.

23           **SECTION 26.** 560.30 (10) (c) of the statutes is repealed.

24           **SECTION 27.** 560.30 (10) (d) of the statutes is amended to read:

1           560.30 (10) (d) A projected increase in federal or state taxes, including  
2 excluding penalties and interest on those taxes, of the equity owners of the certified  
3 capital company if those amounts are related to the certified capital company's  
4 ownership, management, or operation.

5           **SECTION 28.** 560.30 (10) (e) of the statutes is created to read:

6           560.30 (10) (e) Reasonable costs associated with applying for qualified federal  
7 funding programs, as determined by the department.

8           **SECTION 29.** 560.30 (10) (f) of the statutes is created to read:

9           560.30 (10) (f) 1. ~~Except as provided in subs. 2. and 3.,~~ the purchase of U.S.  
10 treasury securities, or a guaranty, indemnity, bond, insurance policy, or other  
11 payment undertaking, for the benefit of the certified capital company's certified  
12 investors. *(as permitted under s. 560.34 (1e))*

13           2. ~~No more than one of the certified investors of the certified capital company,~~  
14 ~~or affiliate of such a certified investor, may provide a guaranty, indemnity, bond,~~  
15 ~~insurance policy, or other payment undertaking under subd. 1.~~

16           3. With respect to a certified capital company that receives certified capital  
17 investments under s. 560.32 (2) (b) 2., no more than 25 percent of any particular  
18 investment pool may be expended under subd. 1.

19           **SECTION 30.** 560.31 (1) of the statutes is renumbered 560.31 (1) (a) and  
20 amended to read:

21           560.31 (1) (a) The department shall promulgate rules establishing procedures  
22 under which a person may apply to become a certified capital company for receiving  
23 certified capital investments under s. 560.32 (2) (b) 1. or a certified capital company  
24 for receiving certified capital investments under s. 560.32 (2) (b) 2. The department

1 shall grant or deny an application for certification under this section within 30 days  
2 of the date of application.

3 (b) If the department denies certification, the department shall include with  
4 the denial a detailed description of the grounds for the refusal, including suggestions  
5 for removal of those grounds. A person may submit an amended application within  
6 15 days of receipt of a notice of denial. The department shall grant or deny the  
7 amended application within 15 days of the date of the amended application. If the  
8 department denies certification based upon the amended application, the  
9 department shall include with the denial a detailed description of the grounds for the  
10 refusal. A person whose amended application is denied may, within 10 days after the  
11 department's decision, request a contested case hearing under s. 227.42 from the  
12 department. If the final administrative or judicial proceeding results in a  
13 determination that the application was denied in error, the department shall revise  
14 its determination accordingly.

15 SECTION 31. 560.31 (2) (intro.) of the statutes is amended to read:

16 560.31 (2) REQUIREMENTS FOR CERTIFICATION. (intro.) The department shall may  
17 certify a person as a certified capital company if the department determines that all  
18 of the following conditions have been met:

19 SECTION 32. 560.31 (2) (b) of the statutes is amended to read:

20 560.31 (2) (b) The At the time of application and on the date on which the person  
21 is certified, the person has a net worth, at the time of application, of at least \$500,000  
22 and has at least \$500,000 in cash, cash equivalents, and marketable securities.

23 SECTION 33. 560.31 (2) (g) of the statutes is created to read:

1           560.31 (2) (g) The person agrees to maintain in this state an investment office  
2 and staff actively engaged in making investments until all investment pools have  
3 been decertified.

4           **SECTION 34.** 560.31 (2) (h) of the statutes is created to read:

5           560.31 (2) (h) The person has provided the department with a list of all persons  
6 that have an ownership interest in the person as provided under this paragraph. The  
7 list shall include the percentage ownership interest of each owner and indicate  
8 whether the interest is voting or nonvoting. If the person is an entity that is  
9 registered under 15 USC 78l (g) or required to file reports under 15 USC 78o (d), the  
10 person shall list only those persons having beneficial ownership of equity securities  
11 of at least 5 percent. If a list contains the name of a business entity, the person shall  
12 also include a list of all persons that have an ownership interest in the entity.

13           **SECTION 35.** 560.31 (2) (i) of the statutes is created to read:

14           560.31 (2) (i) The person has provided the department with a business plan  
15 covering at least the 5-year period following the date of application.

16           **SECTION 36.** 560.31 (2) (j) of the statutes is created to read:

17           560.31 (2) (j) The person has provided the department with the person's  
18 investment strategy, along with a description of the investment criteria the person  
19 intends to follow.

20           **SECTION 37.** 560.31 (2) (k) of the statutes is created to read:

21           560.31 (2) (k) The person has provided the department with the person's  
22 organizational chart.

23           **SECTION 38.** 560.32 (2) (b) of the statutes is renumbered 560.32 (2) (b) 1. and  
24 amended to read:

1           560.32 (2) (b) 1. The Prior to the effective date of this subdivision ... [revisor  
2 inserts date], the department may certify an investment under this subsection only  
3 if, after the certification, the department will not have certified a total of more than  
4 \$50,000,000 in investments under this subsection.

5           **SECTION 39.** 560.32 (2) (b) 2. of the statutes is created to read:

6           560.32 (2) (b) 2. Beginning on the effective date of this subdivision ... [revisor  
7 inserts date], the department shall certify investments for which notices have been  
8 received under par. (a), subject to the limit specified in this subdivision. The  
9 department may certify an investment under this subdivision only if, after the  
10 certification, the department will not have certified a total of more than \$75,000,000  
11 in investments under this subdivision.

12           **SECTION 40.** 560.32 (2) (c) of the statutes is renumbered 560.32 (2) (c) 1.

13           **SECTION 41.** 560.32 (2) (c) 2. of the statutes is created to read:

14           560.32 (2) (c) 2. The department may not certify an investment under par. (b)  
15 2. if, after the certification, the investor, together with all affiliates of the investor,  
16 would have in certified capital investments under par. (b) 2. more than the greater  
17 of \$10,000,000 or 15 percent of the total amount of investments that the department  
18 may certify under par. (b) 2.

19           **SECTION 42.** 560.32 (2) (d) of the statutes is amended to read:

20           560.32 (2) (d) If, as a result of the limitations under par. (b) or (c), the  
21 department may not certify the full amount requested in applications for certified  
22 capital investments submitted under par. (a), the department shall allocate prorate  
23 the amounts available for certification in order of priority based on the date on which  
24 the application was filed. If the amounts available for certification are insufficient  
25 to certify the full amount of all applications for certified capital investments that are

1 submitted on the same day, the department shall prorate the available amount on  
2 the basis of the amount that the investor has committed to invest in the certified  
3 capital company under par. (a) among eligible applicants, except as otherwise  
4 provided in this paragraph. If the proration would result in a certified capital  
5 company having less than ~~\$15,000,000~~<sup>\$10,000,000</sup> in certified capital, the department may not  
6 allocate any amount to that certified capital company. If the proration would result  
7 in no certified capital company having ~~\$15,000,000~~<sup>\$10,000,000</sup> or more in certified capital, the  
8 department may promulgate rules to implement an alternative allocation procedure.  
9 Notwithstanding s. 227.24 (1) (a), (2) (b), and (3), the department is not required to  
10 provide evidence that promulgating a rule under this paragraph as an emergency  
11 rule is necessary for the preservation of the public peace, health, safety, or welfare  
12 and is not required to provide a finding of an emergency for a rule promulgated under  
13 this paragraph.

14 SECTION 43. 560.32 (3) of the statutes is renumbered 560.32 (3) (a) and  
15 amended to read:

16 560.32 (3) (a) A certified investor may not, individually, or with or through one  
17 or more affiliates, own 10% or more of the equity securities in, be an affiliate, a  
18 general partner, or a manager of, or otherwise control the investments of the certified  
19 capital company. This subsection ~~paragraph~~ does not preclude ~~a certified investor~~  
20 any person from exercising its legal rights and remedies, including interim  
21 management of a certified capital company, in the event that a certified capital  
22 company is in default of its statutory or contractual obligations to the ~~certified~~  
23 investor that or any other person.

24 SECTION 44. 560.32 (3) (b) of the statutes is created to read:

1           560.32 (3) (b) Paragraph (a) does not preclude any person from establishing  
2 controls to ensure that a certified capital company satisfies the requirements of s.  
3 560.34 (1m).

4           **SECTION 45.** 560.33 (1) (intro.) of the statutes is amended to read:

5           560.33 (1) QUALIFICATIONS. (intro.) ~~A~~ Except as provided in sub. (2), a business  
6 is a qualified business if all of the following requirements are met, as of the time that  
7 a certified capital company, or any affiliate of the certified capital company, makes  
8 its first investment in the business, all of the following requirements are met:

9           **SECTION 46.** 560.33 (1) (a) of the statutes is amended to read:

10           560.33 (1) (a) The business is headquartered in this state and its principal  
11 business operations are located in this state or the business commits to relocate its  
12 headquarters and its principal business operations to this state within 90 days after  
13 the date on which the certified capital company makes its first investment in the  
14 business.

15           **SECTION 47.** 560.33 (1) (b) of the statutes is renumbered 560.33 (1) (b) (intro.)  
16 and amended to read:

17           560.33 (1) (b) (intro.) The business has no more than 100 employees, at and any  
18 of the following applies:

19           1. At least 75% of whom those employees are employed in this state.

20           **SECTION 48.** 560.33 (1) (b) 2. of the statutes is created to read:

21           560.33 (1) (b) 2. At least 75 percent of the total payroll of the business is paid  
22 to employees who are employed in this state.

23           **SECTION 49.** 560.33 (1) (e) of the statutes is amended to read:

24           560.33 (1) (e) The business is not predominantly engaged in professional  
25 services provided by accountants, business consultants, lawyers, or physicians.

1           **SECTION 50.** 560.33 (1) (g) of the statutes is amended to read:

2           560.33 (1) (g) The business is not engaged in banking ~~or~~, lending, lobbying, or  
3 political consulting and does not make any loans to, or investments in, certified  
4 capital companies.

5           **SECTION 51.** 560.33 (1) (h) of the statutes is created to read:

6           560.33 (1) (h) The business is not predominantly engaged in retail sales, unless  
7 the business is approved by the department under sub. (2).

8           **SECTION 52.** 560.33 (1) (i) of the statutes is created to read:

9           560.33 (1) (i) The business was not organized by a certified capital company or  
10 an affiliate of a certified capital company. This paragraph does not prohibit a  
11 certified capital company from providing financial, technical, or similar advice to a  
12 business before making an investment in the business.

13           **SECTION 53.** 560.33 (1) (j) of the statutes is created to read:

14           560.33 (1) (j) The business is engaged in at least one of the following activities:

15           1. Manufacturing, processing, or assembling products.  
16           2. Providing services, unless the services are of such a nature that the  
17 department disapproves of the business under sub. (2).

18           3. Conducting research and development.

19           4. Conducting any other business that is not excluded under this subsection  
20 and that is approved by the department under sub. (2).

21           **SECTION 54.** 560.33 (1) (k) of the statutes is created to read:

22           560.33 (1) (k) The business does not have a financial relationship with a  
23 certified capital company or any affiliate of a certified capital company before the  
24 date on which the certified capital company makes its first investment in the  
25 business, unless the business is approved under sub. (2) notwithstanding such a

1 financial relationship. This paragraph does not prohibit a certified capital company  
2 from providing financial advice to a business before making an investment in the  
3 business.

4 SECTION 55. 560.33 (2) of the statutes is renumbered 560.33 (2) (a) and  
5 amended to read:

6 560.33 (2) (a) A certified capital company may shall, prior to making an  
7 investment in a specific business, ~~request a written opinion from the department~~  
8 ~~that a business in which it proposes to invest is a qualified business. If the~~  
9 ~~department determines that the business meets the requirements under sub. (1), the~~  
10 ~~department shall issue a written opinion stating that the business is a qualified~~  
11 ~~business provide the department with a description of the proposed investment in~~  
12 ~~the form prescribed by the department. Within 15 business days of receiving the~~  
13 ~~description, the department shall determine whether the business is a qualified~~  
14 ~~business and the proposed investment is consistent with the certified capital~~  
15 ~~company's investment criteria and, if the business is not a qualified business or the~~  
16 ~~proposed investment is not consistent, notify the certified capital company in writing~~  
17 ~~of the determination and the reasons for the determination. If the department fails~~  
18 ~~to so notify the certified capital company within 15 business days of receiving the~~  
19 ~~request, the business shall be deemed a qualified business and the investment shall~~  
20 ~~be deemed consistent, notwithstanding any failure to satisfy sub. (1) or s. 560.34 (1)~~  
21 (f).

22 SECTION 56. 560.33 (2) (b) and (c) of the statutes are created to read:

23 560.33 (2) (b) During the 15 business day period established under par. (a), the  
24 department may make a determination that a business is a qualified business,

1 notwithstanding any failure to satisfy sub. (1), if the certified capital company's  
2 proposed investment in the business will further the goals of this subchapter.

3 (c) If the department determines that a proposed investment is not consistent  
4 with a certified capital company's investment criteria, the certified capital company  
5 may, within 10 days after the department's decision, request a contested case hearing  
6 under s. 227.42 from the department. If the final administrative or judicial  
7 proceeding results in a determination that the investment is consistent, the  
8 department shall issue a redetermination accordingly.

9 SECTION 57. 560.34 (1) (intro.) of the statutes is amended to read:

10 560.34 (1) QUALIFIED INVESTMENTS REQUIREMENTS. (intro.) In order for a  
11 certified capital company to prevent disqualification under s. 560.37 of an  
12 investment pool, the certified capital company shall ensure that the investment pool  
13 makes qualified investments in accordance with the schedule under sub. (1m). ~~An~~  
14 Except as provided in sub. (1g), an investment is a qualified investment if the  
15 investment meets all of the following requirements:

16 SECTION 58. 560.34 (1) (a) 1. of the statutes is amended to read:

17 560.34 (1) (a) 1. ~~An equity security~~ Except as otherwise provided in this  
18 subdivision, equity securities or options, warrants, or other equity participation  
19 instruments of the qualified business, unless the certified capital company, after the  
20 investment and assuming full conversion and exercise of any equity participation  
21 instrument, owns more than 50 percent of the voting equity of the qualified business.  
22 The department may grant an exception to this percentage limitation under s. 560.33  
23 (2).

24 SECTION 59. 560.34 (1) (a) 2. a. of the statutes is amended to read:

1           560.34 (1) (a) 2. a. The debt is ~~unsecured~~ not secured by a first priority lien on  
2 any of the assets of the qualified business at the time of the certified capital  
3 company's qualified investment in the qualified business.

4           **SECTION 60.** 560.34 (1) (a) 2. b. of the statutes is amended to read:

5           560.34 (1) (a) 2. b. The Except as otherwise provided in this subd. 2. b., the debt  
6 is convertible into equity securities or options, warrants, or other equity  
7 participation instruments such as options or warrants or has attached equity  
8 participation rights, unless the debt and the equity participation instruments, if  
9 fully converted and exercised, would result in the certified capital company owning  
10 more than 50 percent of the voting equity of the qualified business. The department  
11 may grant an exception to this percentage limitation under s. 560.33 (2).

12           **SECTION 61.** 560.34 (1) (b) of the statutes is amended to read:

13           560.34 (1) (b) As a condition of the investment, the qualified business agrees  
14 not to use the proceeds from the investment for the purpose of relocating its  
15 operations other than to this state.

16           **SECTION 62.** 560.34 (1) (c) of the statutes is amended to read:

17           560.34 (1) (c) As a condition of the investment, the qualified business agrees,  
18 as long as the certified capital ~~corporation~~ company continues to hold the  
19 investment, not to relocate its headquarters out of this state.

20           **SECTION 63.** 560.34 (1) (d) of the statutes is renumbered 560.34 (1) (d) (intro.)  
21 and amended to read:

22           560.34 (1) (d) (intro.) As a condition of the investment, the qualified business  
23 agrees, as long as the certified capital ~~corporation~~ company continues to hold the  
24 investment, to maintain do any of the following:

25           1. Maintain at least 75% of its employees in this state.

1           **SECTION 64.** 560.34 (1) (d) 2. of the statutes is created to read:

2           560.34 (1) (d) 2. Pay at least 75 percent of its total payroll to employees who  
3 are employed in this state.

4           **SECTION 65.** 560.34 (1) (e) of the statutes is amended to read:

5           560.34 (1) (e) As a condition of the investment, the qualified business agrees,  
6 as long as the certified capital ~~corporation~~ company continues to hold the  
7 investment, to maintain at least 75% of its employees at work sites that were  
8 maintained by the qualified business at the time that the investment was made or  
9 at work sites that are no more than 25 miles from the place where the headquarters  
10 or principal business operations of the qualified business are located at the time of  
11 the investment, unless the qualified business obtains an exemption from the  
12 department under this paragraph. The department may grant an exemption unless  
13 it determines that the qualified business is locating the employees at new sites to  
14 take advantage of lower wage rates in the areas where the new sites are located.

15           **SECTION 66.** 560.34 (1) (f) of the statutes is created to read:

16           560.34 (1) (f) The investment is consistent with the certified capital company's  
17 investment criteria.

18           **SECTION 67.** 560.34 (1g) of the statutes is created to read:

19           560.34 (1g) **DISCRETIONARY EXEMPTIONS.** The department may grant an  
20 exemption from any requirement under sub. (1) if the certified capital company is in  
21 substantial compliance with the requirement.

22           **SECTION 68.** 560.34 (1m) (a) 2. of the statutes is renumbered 560.34 (1m) (a)  
23 2. a. and amended to read:

24           560.34 (1m) (a) 2. a. ~~Within~~ With respect to a certified capital company that  
25 receives certified capital investments under s. 560.32 (2) (b) 1., within 5 years after

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1 the investment date for a particular investment pool, at least 50% 50 percent of the  
2 investment pool shall be placed in qualified investments.

3 **SECTION 69.** 560.34 (1m) (a) 2. b. of the statutes is created to read:

4 560.34 (1m) (a) 2. b. With respect to a certified capital company that receives  
5 certified capital investments under s. 560.32 (2) (b) 2., within 5 years after the  
6 investment date for a particular investment pool, at least 50 percent of the  
7 investment pool shall be placed in qualified investments and, of such 50 percent, at  
8 least 50 percent shall be placed in qualified investments in early stage businesses.

9 **SECTION 70.** 560.34 (1m) (b) of the statutes is amended to read:

10 560.34 (1m) (b) The proceeds of all capital of a qualified investment returned  
11 to a certified capital company by a qualified business may be placed in new qualified  
12 investments, which shall count toward the percentage requirements under par. (a)  
13 and s. 560.36 ~~(3)~~ (1)(c). The department shall promulgate rules governing the extent  
14 to which a reinvestment of proceeds from the sale of a qualified investment in a  
15 qualified business may be counted toward the percentage requirements under par.  
16 (a) and ss. 560.36 ~~(3)~~ (1)(c) and 560.37 (3m) (a) 2. These rules may provide that  
17 reinvested proceeds from the sale of short-term investments shall be only partially  
18 counted toward the percentage requirements under par. (a) and ss. 560.36 ~~(3)~~ (1)(c)  
19 and 560.37 (3m) (a) 2. The rules may also provide that proceeds from the sale of an  
20 investment in a qualified business that are reinvested in that qualified business, or  
21 an affiliate of that qualified business, shall be only partially counted toward the  
22 percentage requirements under par. (a) and ss. 560.36 ~~(3)~~ (1)(c) and 560.37 (3m) (a)  
23 2.

24 **SECTION 71.** 560.34 (2) of the statutes is renumbered 560.34 (2) (intro.) and  
25 amended to read:

1           560.34 (2) (intro.) NONQUALIFIED INVESTMENTS. All certified capital investments  
2 in a certified capital company that are not invested in qualified investments may be  
3 held or invested by the certified capital company as it considers appropriate, except  
4 that a certified capital company may not invest certified capital investments in an  
5 insurance company or in an affiliate of an insurance company. only in any of the  
6 following:

7           **SECTION 72.** 560.34 (2) (a) to (k) of the statutes are created to read:

8           560.34 (2) (a) Deposits with a federally insured financial institution, as defined  
9 in s. 705.01 (3).

10          (b) Certificates of deposit in a federally insured financial institution, as defined  
11 in s. 705.01 (3).

12          (c) Investment securities that are obligations of the United States or its  
13 agencies or instrumentalities, or that are obligations that are guaranteed fully as to  
14 principal and interest by the United States.

15          (d) Commercial paper rated at least “A1,” “P1,” or the equivalent, by a  
16 nationally recognized credit rating organization.

17          (e) Debt instruments rated at least “AA” or its equivalent by a nationally  
18 recognized credit rating organization.

19          (f) Debt instruments issued by, or guaranteed with respect to payment by, an  
20 entity whose unsecured indebtedness is rated at least “AA” or its equivalent by a  
21 nationally recognized credit rating organization and which are not subordinated to  
22 other unsecured indebtedness of the issuer or guarantor, as applicable.

23          (g) Swaps designed to realize or protect the value of a qualified investment, if  
24 the counterparty is rated at least “A” or its equivalent by a nationally recognized  
25 credit rating organization.

1 (h) Obligations of the state or any political subdivision of the state.

2 (i) Interests in money market or other mutual funds, the portfolios of which are  
3 limited to cash and other permissible investments described in this subsection.

4 (j) A small business investment company that is approved by the department.

5 (k) Any other investments approved in advance in writing by the department.

6 **SECTION 73.** 560.34 (4) of the statutes is amended to read:

7 **560.34 (4) RESTRICTIONS ON MANAGEMENT.** No certified capital company may be  
8 managed or controlled by, or have a general partner that is, an insurance company,  
9 a person who is subject to taxation under subchs. I, II, and IV of ch. 76, a credit union  
10 organized under ch. 186, a savings bank organized under ch. 214, a savings and loan  
11 association organized under ch. 215, or a bank organized under ch. 221, or an affiliate  
12 of an insurance company any such entity and that is a certified investor in the  
13 certified capital company.

14 **SECTION 74.** 560.34 (5) of the statutes is created to read:

15 **560.34 (5) QUALIFIED INVESTMENT BECOMING NONQUALIFIED.** (a) If a certified  
16 capital company makes an investment authorized under s. 560.32 (2) (b) 2. in a  
17 qualified business and during the time that the certified capital company still holds  
18 the investment, the qualified business violates an agreement made under sub. (1) (b)  
19 to (e), all of the following apply:

20 1. The violation does not affect the certified capital company's satisfaction of  
21 the percentage requirements under sub. (1m) (a) 1. or 2., and 100 percent of the  
22 amount of the qualified investment shall be counted toward the certified capital  
23 company's satisfaction of those percentage requirements.

24 2. If the violation occurs within the first year after the qualified investment was  
25 made, no amount of the qualified investment shall be counted toward the certified

1 capital company's satisfaction of the percentage requirements under ss. 560.36 (3)  
2 and 560.37 (3m) (a).

3 3. If the violation occurs more than one year, but 3 years or less, after the  
4 qualified investment was made, only 25 percent of the amount of the qualified  
5 investment shall be counted toward the certified capital company's satisfaction of the  
6 percentage requirements under ss. 560.36 (3) and 560.37 (3m) (a).

7 4. If the violation occurs more than 3 years, but 5 years or less, after the  
8 qualified investment was made, only 50 percent of the amount of the qualified  
9 investment shall be counted toward the certified capital company's satisfaction of the  
10 percentage requirements under ss. 560.36 (3) and 560.37 (3m) (a).

11 5. If the violation occurs more than 5 years after the qualified investment was  
12 made, 90 percent of the amount of the qualified investment shall be counted toward  
13 the certified capital company's satisfaction of the percentage requirements under ss.  
14 560.36 (3) and 560.37 (3m) (a).

15 (b) Notwithstanding par. (a), if a qualified business violates an agreement  
16 under sub. (1) (b), (c), (d), or (e), the department may grant an exception to the  
17 requirements under par. (a) 2. to 5. and not reduce the amount of the qualified  
18 investment that is counted toward the certified capital company's satisfaction of the  
19 percentage requirements under ss. 560.36 (3) and 560.37 (3m) (a), unless the  
20 department determines that the qualified business is locating employees at new sites  
21 to take advantage of lower wage rates in the areas where those sites are located.

22 **SECTION 75.** 560.34 (6) of the statutes is created to read:

23 **560.34 (6) TRANSFERS FROM AFFILIATES.** No certified capital company may  
24 receive money from an affiliate that represents a return on the affiliate's certified  
25 capital investment in another certified capital company.

1           **SECTION 76.** 560.35 (1c) of the statutes is created to read:

2           **560.35 (1c) QUALIFIED INVESTMENTS.** Within 3 business days after making a  
3 qualified investment, a certified capital company shall report all of the following to  
4 the department:

5           (a) The name of the qualified business in which the qualified investment was  
6 made.

7           (b) The amount of the qualified investment.

8           (c) The type of investment, as specified in s. 560.34 (1) (a) 1. or 2. a. or b.

9           **SECTION 77.** 560.35 (1r) of the statutes is created to read:

10          **560.35 (1r) QUALIFIED INVESTMENT SCHEDULE REPORT.** Within 30 days after the  
11 conclusion of each time period specified in s. 560.34 (1m) (a), a certified capital  
12 company shall report to the department, in the format and substance prescribed by  
13 the department, information required by the department for determining whether  
14 the certified capital company is in compliance with the percentage requirements  
15 under s. 560.34 (1m) (a).

16          **SECTION 78.** 560.35 (2) (intro.) of the statutes is amended to read:

17          **560.35 (2) ~~ANNUAL~~ SEMIANNUAL REPORTS.** (intro.) ~~On~~ Each year, on or before  
18 January 31 annually, for the preceding 6-month period ending on December 31, and  
19 on or before July 31, for the preceding 6-month period ending on June 30, a certified  
20 capital company shall report, in the format and substance prescribed by the  
21 department, all of the following to the department:

22          **SECTION 79.** 560.35 (2) (a) of the statutes is amended to read:

23          **560.35 (2) (a)** The amount of the certified capital company's certified capital at  
24 the end of the preceding year 6-month period.

25          **SECTION 80.** 560.35 (2) (c) of the statutes is amended to read:

1           560.35 (2) (c) All qualified investments that the certified capital company has  
2 made during the ~~previous calendar year~~ preceding 6-month period and the  
3 investment pool from which each qualified investment was made.

4           **SECTION 81.** 560.35 (2) (d) of the statutes is created to read:

5           560.35 (2) (d) All amounts that the certified capital company has expended  
6 under s. 560.34 (1e) (a), the investment pool from which each such expenditure was  
7 made, and the percentage of the total amount of the investment pool which each such  
8 expenditure represents.

9           **SECTION 82.** 560.35 (3) of the statutes is amended to read:

10           560.35 (3) **FINANCIAL STATEMENTS.** Within 90 days of the end of the certified  
11 capital company's fiscal year, the certified capital company shall provide to the  
12 department a copy of its annual audited financial statements, including the opinion  
13 of an independent certified public accountant, and a copy of a report on agreed-upon  
14 procedures prepared by an independent certified public accountant. The ~~audit shall~~  
15 ~~address agreed-upon-procedures report shall identify the procedures performed by~~  
16 the certified capital company, as prescribed by the department, that relate to the  
17 methods of operation and conduct of the business of the certified capital company to  
18 enable the department to determine whether the certified capital company is  
19 complying with this subchapter and the rules promulgated under this subchapter,  
20 including whether certified capital has been invested in the manner required under  
21 s. 560.34. The financial statements and agreed-upon-procedures report provided  
22 under this subsection shall be segregated by investment pool ~~and shall be separately~~  
23 ~~audited on that basis~~ to allow the department to determine whether the certified  
24 capital company is in compliance with s. ~~560.34 (1m)~~ this subchapter and the rules  
25 promulgated under this subchapter.

1           **SECTION 83.** 560.36 (intro.) of the statutes is renumbered 560.36 (1) (intro.) and  
2 amended to read:

3           560.36 (1) (intro.) ~~A~~ Except as provided in sub. (2), a certified capital company  
4 may make a distribution only if one of the following conditions is met:

5           **SECTION 84.** 560.36 (1) to (4) of the statutes are renumbered 560.36 (1) (a) to  
6 (d) and 560.36 (1) (c), as renumbered, is amended to read:

7           560.36 (1) (c) *Placement of 100% 100 percent of investments in qualified*  
8 *investments.* The certified capital company has placed in qualified investments an  
9 amount equal to ~~100%~~ 100 percent of the certified capital investments in the  
10 investment pool and at least 60 percent of the total amount of such investments  
11 purchased equity securities; options, warrants, or other equity participation  
12 instruments; or debt that is convertible into equity securities or options, warrants,  
13 or other equity participation instruments.

14           **SECTION 85.** 560.36 (2m) of the statutes is created to read:

15           560.36 (2m) STATE PARTICIPATION. A certified capital company that receives  
16 certified capital investments under s. 560.32 (2) (b) 2. shall pay to the department,  
17 for deposit into the general fund, 30 percent of the net profits and gains realized by  
18 the certified capital company on qualified investments resulting from those certified  
19 capital investments, except that the payment required under this subsection is 20  
20 percent of those net profits and gains if the certified capital company, either  
21 concurrently with or after receiving certified capital investments under s. 560.32 (2)  
22 (b) 2., raises an additional pool of venture capital that does not contain certified  
23 capital investments and that is of a sufficient size and is sufficiently focused on  
24 investing in Wisconsin businesses, as determined by the department. A certified  
25 capital company shall make all payments required under this subsection

1 concurrently with distributions of profits and gains to owners of the certified capital  
2 company.

3 **SECTION 86.** 560.37 (1m) of the statutes is created to read:

4 **560.37 (1m) REDUCED MANAGEMENT FEE.** If a certified capital company violates  
5 s. 560.34 (1e) (c) or (1m) (a), the department may order the certified capital company  
6 to reduce its annual management fee to the percentage of the certified capital  
7 company's total certified capital, or the total dollar amount, specified in that order.  
8 A certified capital company may, within 10 days after receiving an order under this  
9 subsection, request a contested case hearing under s. 227.42 from the department.  
10 If the final administrative or judicial proceeding results in a determination that the  
11 order was issued in error or was unreasonable, the department shall rescind or revise  
12 the order accordingly.

13 **SECTION 87.** 560.37 (3m) (a) (intro.) and 2. of the statutes are consolidated,  
14 renumbered 560.37 (3m) (a) and amended to read:

15 **560.37 (3m) (a)** A certified capital company may voluntary decertify itself as  
16 a certified capital company if any of the following conditions are met: ~~2. The only~~  
17 if the certified capital company has placed in qualified investments an amount equal  
18 to ~~100%~~ 100 percent of the certified capital investment in the certified capital  
19 company.

20 **SECTION 88.** 560.37 (3m) (a) 1. of the statutes is repealed.

21 **SECTION 89.** 560.37 (4) of the statutes is amended to read:

22 **560.37 (4) EFFECT OF DECERTIFICATION.** Decertification of a certified capital  
23 company or an investment pool has the effects specified in ~~s. ss.~~ 71.07 (7m) (e), 71.28  
24 (7m) (e), 71.47 (7) (d) and (7m) (e), and 76.635 (4).

25 **SECTION 90.** 560.37 (5) of the statutes is amended to read:

1           560.37 (5) NOTICES TO CERTIFIED INVESTORS. The department shall notify a  
2 certified investor when the certified capital company tax credit arising from a  
3 certified investment is no longer subject to recapture and forfeiture under s. ss. 71.07  
4 (7m) (e), 71.28 (7m) (e), 71.47 (7) (d) and (7m) (e), and 76.635 (4).

5           **SECTION 91. Nonstatutory provisions.**

6           (1) PERFORMANCE EVALUATION AUDIT. The joint legislative audit committee is  
7 requested to, and may, direct the legislative audit bureau to perform a performance  
8 evaluation audit of the program under subchapter II of chapter 560 of the statutes,  
9 which shall include evaluating the overall effectiveness of the program. If the  
10 committee directs the legislative audit bureau to perform an audit under this  
11 subsection, the bureau shall file its report as described in section 13.94 (1) (b) of the  
12 statutes by January 1, 2005.

13           (2) EXISTING CONTRACTS.

14           (a) *Definition.* In this subsection, “certified capital company” has the meaning  
15 given in section 560.30 (2) of the statutes.

16           (b) *Effect on existing contracts.* If a certified capital company is party to a  
17 contract that is in effect on the effective date of this paragraph and that contains  
18 provisions that are inconsistent with subchapter II of chapter 560 of the statutes, as  
19 affected by this act, but that are not inconsistent with any applicable law in effect  
20 immediately before the effective date of this paragraph, then, notwithstanding  
21 subchapter II of chapter 560 of the statutes, as affected by this act, the parties to the  
22 contract may perform their obligations, and exercise their rights, under those  
23 provisions of the contract until the contract expires or is extended, modified, or  
24 renewed, whichever occurs first.

25           **SECTION 92. Initial applicability.**

1 (1) The treatment of sections 71.05 (6) (a) 15., 71.07 (7m), 71.10 (4) (cp), 71.21  
2 (4), 71.26 (2) (a), 71.28 (7m), 71.30 (3) (dm), 71.34 (1) (g), 71.45 (2) (a) 10., 71.47 (7)  
3 and (7m), 71.49 (1) (dm) and (dn), 77.92 (4), 560.30 (3), and 560.37 (4) and (5) of the  
4 statutes first applies to taxable years beginning on July 1, 2005.

5 (2) The treatment of section 560.32 (2) (b) 2. of the statutes, as it relates to  
6 claiming the credit under section 76.635 of the statutes first applies to taxable years  
7 beginning on July 1, 2005.

8 **SECTION 93. Effective dates.** This act takes effect on the day after publication,  
9 except as follows:

10 (1) RETROACTIVE EFFECT. The creation of sections 560.32 (3) (b) and ~~560.30 (10)~~<sup>52</sup>  
11 ~~560.30 (10)~~ of the statutes takes effect retroactively to May 13, 1998.

12 (END)

~~560.30 (10)~~ 560.34(1e)(a) and (b)

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1 560.34 (1) (e) As a condition of the investment, the qualified business agrees,  
2 as long as the certified capital ~~corporation~~ company continues to hold the  
3 investment, to maintain at least 75% of its employees at work sites that were  
4 maintained by the qualified business at the time that the investment was made or  
5 at work sites that are no more than 25 miles from the place where the headquarters  
6 or principal business operations of the qualified business are located at the time of  
7 the investment, unless the qualified business obtains an exemption from the  
8 department under this paragraph. The department may grant an exemption unless  
9 it determines that the qualified business is locating the employees at new sites to  
10 take advantage of lower wage rates in the areas where the new sites are located.

11 SECTION 59. 560.34 (1) (f) of the statutes is created to read:

12 560.34 (1) (f) The investment is consistent with the certified capital company's  
13 investment criteria.

14 SECTION 60. 560.34 (1e) of the statutes is created to read:

15 560.34 (1e) USE OF ~~QUALIFIED~~ <sup>(S) CERTIFIED</sup> INVESTMENTS (a) Except as provided in pars. (b)

16 and (c), a certified capital company may expend moneys in an investment pool to  
17 purchase, for the benefit of its certified investors, U.S. treasury securities, <sup>(S) FOR PARTICULAR PURPOSES</sup> or a  
18 guaranty, indemnity, bond, insurance policy, or other payment undertaking <sup>(S) for any combination thereof</sup>

19 (b) No more than one of the certified investors of the certified capital company,  
20 or affiliate of such a certified investor, may provide a guaranty, indemnity, bond,  
21 insurance policy, or other payment undertaking under par. (a).

22 (c) With respect to a certified capital company that receives certified capital  
23 investments under s. 560.32 (2) (b) 2., no more than <sup>percent</sup> 25% of any particular investment  
24 pool may be expended under par. (a).