



JIM DOYLE
GOVERNOR
STATE OF WISCONSIN

April 15, 2004

TO THE HONORABLE MEMBERS OF THE SENATE:

I have approved Senate Bill 261 as 2003 Wisconsin Act 255 and have deposited it in the Office of the Secretary of State. I have vetoed Sections 23(2m) and 25(2) and exercised a partial veto in Section 20.

This bill creates two venture capital tax credits – an early stage seed investment tax credit and an angel investment tax credit. The Department of Commerce shall implement a program to certify investment fund managers and businesses for the tax credits. An investor may claim an early stage seed investment tax credit equal to 25 percent of his or her initial investment in a certified business through a certified fund manager. Under the angel investment tax credit, an investor may claim up to 12.5 percent of his or her investment in a certified business. The maximum aggregate amount of the tax credits for a ten-year period beginning January 1, 2005, is limited to \$3,500,000 per year for the early stage seed investment tax credit and \$3,000,000 per year for the angel investment tax credit.


This bill also creates a technology commercialization grant and loan program to be administered by the department. The program is designed to assist businesses in obtaining or matching funding to develop a technologically innovative product, process or service. The program would be funded by GPR and loan repayments after the program is implemented. The new GPR appropriation provides \$2,600,000 in fiscal year 2004-05 but requires an equal lapse on June 30, 2005. In addition, the bill provides a delayed effective date for the appropriations of the second day after the publication of the 2005-07 biennial budget.

I am exercising a partial veto in Section 20 to eliminate the ten-year limitation on the new tax credits. This will ensure that no valuable credits are lost if the programs require initial startup time, while the retention of the annual and lifetime caps will maintain reasonable limits on the programs. I also am vetoing language in Section 20 that unnecessarily limits the discretion of the Departments of Revenue and Commerce to allocate credits in a fashion commensurate to the needs of the relevant business.

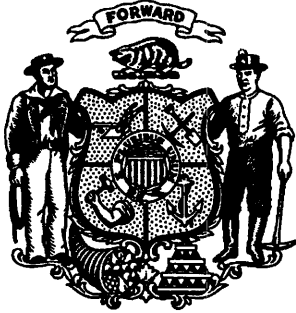
Additionally, while I recognize the Legislature's concern with the general fund balance, I object to making Wisconsin businesses wait for the technology commercialization grant and loan program. This program will provide needed support to businesses developing new technology and assist in our statewide effort to Grow Wisconsin. I am vetoing Sections 23(2m) and 25(2) to delete the lapse of \$2,600,000 GPR from the appropriation under s. 20.143(1)(dk) and the delayed effective date for the new

appropriations because the technology commercialization grant and loan program should begin in fiscal year 2004-05. I am confident that the investments by this program will result in significant economic benefits to Wisconsin.

Respectfully submitted,


JIM DOYLE
Governor

State of Wisconsin



2003 Senate Bill 261

Date of enactment:
Date of publication*:

2003 WISCONSIN ACT

AN ACT to amend 71.05 (6) (a) 15., 71.08 (1) (intro.), 71.21 (4), 71.26 (2) (a), 71.34 (1) (g), 71.45 (2) (a) 10. and 77.92 (4); and **to create** 20.143 (1) (dk), 20.143 (1) (ik), 71.07 (5b), 71.07 (5d), 71.10 (4) (gwb), 71.10 (4) (gx), 71.28 (5b), 71.30 (3) (eop), 71.47 (5b), 71.49 (1) (eop), 560.03 (25), 560.03 (26), 560.205 and 560.275 of the statutes; **relating to:** creating a technology commercialization grant and loan program, creating an angel investment tax credit and an early stage seed investment tax credit, facilitating the development of certain investor networks, and granting rule-making authority and making an appropriation.

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

SECTION 1b. 20.005 (3) (schedule) of the statutes: at the appropriate place, insert the following amounts for the purposes indicated:

		2003-04	2004-05
20.143	Commerce, department of		
(1)	ECONOMIC AND COMMUNITY DEVELOPMENT		
(dk)	Technology commercialization grant and loan program; assistance	GPR B	-0- \$2,600,000

SECTION 1m. 20.143 (1) (dk) of the statutes is created to read:

20.143 (1) (dk) *Technology commercialization grant and loan program; assistance.* Biennially, the amounts in the schedule for grants and loans under s. 560.275 (2).

SECTION 2. 20.143 (1) (ik) of the statutes is created to read:

20.143 (1) (ik) *Technology commercialization grant and loan program; repayments.* All moneys received in repayment of grants and loans made under s. 560.275 (2), to be used for grants and loans under s. 560.275 (2).

SECTION 3. 71.05 (6) (a) 15. of the statutes, as affected by 2003 Wisconsin Act 99, is amended to read:

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

SECTION 4. 71.07 (5b) of the statutes is created to read:

71.07 (5b) **EARLY STAGE SEED INVESTMENT CREDIT.** (a) *Definitions.* In this subsection:

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

* Section 991.11, WISCONSIN STATUTES 2001-02 : Effective date of acts. "Every act and every portion of an act enacted by the legislature over the governor's partial veto which does not expressly prescribe the time when it takes effect shall take effect on the day after its date of publication as designated" by the secretary of state [the date of publication may not be more than 10 working days after the date of enactment].

2. "Fund manager" means an investment fund manager certified under s. 560.205 (2).

(b) *Filing claims.* For taxable years beginning after December 31, 2004, subject to the limitations provided under this subsection and s. 560.205, a claimant may claim as a credit against the tax imposed under ss. 71.02 and 71.08, up to the amount of those taxes, 25 percent of the claimant's initial investment paid in the taxable year to a fund manager that the fund manager invests in a business certified under s. 560.205 (1).

(c) *Limitations.* 1. The maximum amount of the credits that may be claimed under this subsection and ss. 71.28 (5b) and 71.47 (5b) for all taxable years combined is \$35,000,000.

2. Partnerships, limited liability companies, and tax-option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of amounts under par. (b). A partnership, limited liability company, or tax-option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interest or as specially allocated in their organizational documents.

(d) *Administration.* Section 71.28 (4) (e) to (h), as it applies to the credit under s. 71.28 (4), applies to the credit under this subsection.

SECTION 5. 71.07 (5d) of the statutes is created to read:

71.07 (5d) ANGEL INVESTMENT CREDIT. (a) *Definitions.* In this subsection:

1. "Bona fide angel investment" means a purchase of an equity interest, or any other expenditure, as determined by rule under s. 560.205, that is made by any of the following:

a. An individual who reviews new businesses or proposed new businesses for potential investment of the individual's money.

b. A network of individuals who satisfy subd. 1.

2. "Claimant" means an individual who files a claim under this subsection.

3. "Qualified new business venture" means a business that is certified under s. 560.205 (1).

(b) *Filing claims.* Subject to the limitations provided in this subsection and in s. 560.205, a claimant may claim as a credit against the tax imposed under s. 71.02 or 71.08, up to the amount of those taxes, in each taxable year for 2 years, beginning with the taxable year in which the claimant's initial investment is made, an amount equal to 12.5 percent of the claimant's bona fide angel investment made directly in a qualified new business venture in the taxable year.

(c) *Limitations.* 1. The maximum amount of the credits that may be claimed under this subsection for all taxable years combined is \$30,000,000.

2. The maximum amount of a claimant's investment that may be used as the basis for a credit under this subsection is \$500,000 for each investment made directly in a business certified under s. 560.205 (1).

3. For a claimant who is a nonresident or part-year resident of this state and who is a single person or a married person filing a separate return, multiply the credit for which the claimant is eligible under par. (b) by a fraction, the numerator of which is the individual's Wisconsin adjusted gross income and the denominator of which is the individual's federal adjusted gross income. If a claimant is married and files a joint return, and if the claimant or the claimant's spouse, or both, are nonresidents or part-year residents of this state, multiply the credit for which the claimant is eligible under par. (b) by a fraction, the numerator of which is the couple's joint Wisconsin adjusted gross income and the denominator of which is the couple's joint federal adjusted gross income.

(d) *Administration.* 1. If an investment for which a claimant claims a credit under par. (b) is held by the claimant for less than one year, the claimant shall pay to the department, in the manner prescribed by the department, the amount of the credit that the claimant received related to the investment.

2. Section 71.28 (4) (e) to (h), as it applies to the credit under s. 71.28 (4), applies to the credit under this subsection.

3. Subsection (9e) (d), to the extent that it applies to the credit under that subsection, applies to the credit under this subsection.

SECTION 6. 71.08 (1) (intro.) of the statutes, as affected by 2003 Wisconsin Act 99, is amended to read:

71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married couple filing jointly, trust or estate under s. 71.02, not considering the credits under ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2fd), (3m), (3s), (3t), ~~(5b), (5d)~~, (6), and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m), (3), and (3t) and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m), (3), and (3t) and subchs. VIII and IX and payments to other states under s. 71.07 (7), is less than the tax under this section, there is imposed on that natural person, married couple filing jointly, trust or estate, instead of the tax under s. 71.02, an alternative minimum tax computed as follows:

SECTION 7. 71.10 (4) (gwb) of the statutes is created to read:

71.10 (4) (gwb) Early stage seed investment credit under s. 71.07 (5b).

SECTION 8. 71.10 (4) (gx) of the statutes is created to read:

71.10 (4) (gx) Angel investment credit under s. 71.07 (5d).

SECTION 9. 71.21 (4) of the statutes, as affected by 2003 Wisconsin Act 99, is amended to read:

71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2ds), (2dx), (3g), (3s), and (3t), and (5b) and passed through to partners shall be added to the partnership's income.

SECTION 10. 71.26 (2) (a) of the statutes, as affected by 2003 Wisconsin Act 99, is amended to read:

71.26 (2) (a) *Corporations in general.* The "net income" of a corporation means the gross income as computed under the Internal Revenue Code as modified under sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit computed under s. 71.28 (1), (3), (4), and (5) minus, as provided under s. 71.28 (3) (c) 7., the amount of the credit under s. 71.28 (3) that the taxpayer added to income under this paragraph at the time that the taxpayer first claimed the credit plus the amount of the credit computed under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3g), and (3t), and (5b) and not passed through by a partnership, limited liability company, or tax-option corporation that has added that amount to the partnership's, limited liability company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1) (g) plus the amount of losses from the sale or other disposition of assets the gain from which would be wholly exempt income, as defined in sub. (3) (L), if the assets were sold or otherwise disposed of at a gain and minus deductions, as computed under the Internal Revenue Code as modified under sub. (3), plus or minus, as appropriate, an amount equal to the difference between the federal basis and Wisconsin basis of any asset sold, exchanged, abandoned, or otherwise disposed of in a taxable transaction during the taxable year, except as provided in par. (b) and s. 71.45 (2) and (5).

SECTION 11. 71.28 (5b) of the statutes is created to read:

71.28 (5b) EARLY STAGE SEED INVESTMENT CREDIT. (a) *Definitions.* In this subsection:

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

2. "Fund manager" means an investment fund manager certified under s. 560.205 (2).

(b) *Filing claims.* For taxable years beginning after December 31, 2004, subject to the limitations provided under this subsection and s. 560.205, a claimant may claim as a credit against the tax imposed under s. 71.23, up to the amount of those taxes, 25 percent of the claimant's initial investment paid in the taxable year to a fund manager that the fund manager invests in a business certified under s. 560.205 (1).

(c) *Limitations.* 1. The maximum amount of the credits that may be claimed under this subsection and ss.

71.07 (5b) and 71.47 (5b) for all taxable years combined is \$35,000,000.

2. Partnerships, limited liability companies, and tax-option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of amounts under par. (b). A partnership, limited liability company, or tax-option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interest or as specially allocated in their organizational documents.

(d) *Administration.* Subsection (4) (e) to (h), as it applies to the credit under sub. (4), applies to the credit under this subsection.

SECTION 12. 71.30 (3) (eop) of the statutes is created to read:

71.30 (3) (eop) Early stage seed investment credit under s. 71.28 (5b).

SECTION 13. 71.34 (1) (g) of the statutes, as affected by 2003 Wisconsin Act 99, is amended to read:

71.34 (1) (g) An addition shall be made for credits computed by a tax-option corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3), (3g), and (3t), and (5b) and passed through to shareholders.

SECTION 14. 71.45 (2) (a) 10. of the statutes, as affected by 2003 Wisconsin Act 99, is amended to read:

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

SECTION 15. 71.47 (5b) of the statutes is created to read:

71.47 (5b) EARLY STAGE SEED INVESTMENT CREDIT. (a) *Definitions.* In this subsection:

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

2. "Fund manager" means an investment fund manager certified under s. 560.205 (2).

(b) *Filing claims.* For taxable years beginning after December 31, 2004, subject to the limitations provided under this subsection and s. 560.205, a claimant may claim as a credit against the tax imposed under s. 71.43, up to the amount of those taxes, 25 percent of the claimant's initial investment paid in the taxable year to a fund manager that the fund manager invests in a business certified under s. 560.205 (1).

(c) *Limitations.* 1. The maximum amount of the credits that may be claimed under this subsection and ss. 71.07 (5b) and 71.28 (5b) for all taxable years combined is \$35,000,000.

2. Partnerships, limited liability companies, and tax-option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of amounts under par.

(b). A partnership, limited liability company, or tax-option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interest or as specially allocated in their organizational documents.

(d) *Administration.* Section 71.28 (4) (e) to (h), as it applies to the credit under s. 71.28 (4), applies to the credit under this subsection.

SECTION 16. 71.49 (1) (eop) of the statutes is created to read:

71.49 (1) (eop) Early stage seed investment credit under s. 71.47 (5b).

SECTION 17. 77.92 (4) of the statutes, as affected by 2003 Wisconsin Act 99, 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), (3g), (3s), and (3t), and (5b); 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 (d) (3) of the Internal Revenue Code.

SECTION 18. 560.03 (25) of the statutes is created to read:

560.03 (25) In cooperation with the department of financial institutions and the board of regents of the University of Wisconsin System, provide education and other support to facilitate the development networks of bona fide angel investors, as defined in s. 71.07 (5d)

(a) 1.

SECTION 19. 560.03 (26) of the statutes is created to read:

560.03 (26) In cooperation with the department of financial institutions and the board of regents of the University of Wisconsin System, annually conduct and publish the results of a study of Wisconsin businesses to determine new business formation trends and identify obstacles faced by new Wisconsin businesses and areas where changes in governmental policy may satisfy the needs of new Wisconsin businesses. As part of the study, the department of commerce shall conduct a survey of Wisconsin businesses.

SECTION 20. 560.205 of the statutes is created to read:

560.205 Early stage business investment program. (1) **ANGEL INVESTMENT TAX CREDITS.** The department shall implement a program to certify businesses for purposes of s. 71.07 (5d). A business desiring certification shall submit an application to the department in each taxable year for which the business desires certification. Unless otherwise provided under the rules of the department, a business may be certified under this subsection, and may maintain such certification, only if the business satisfies all of the following conditions:

(a) It has its headquarters in this state.

(b) At least 51 percent of the employees employed by the business are employed in this state.

(f) It is engaged in, or has committed to engage in, manufacturing, agriculture, or processing or assembling products and conducting research and development or developing a new product or business process.

(g) It is not engaged in real estate development, insurance, banking, lending, lobbying, political consulting, professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants, wholesale or retail trade, leisure, hospitality, transportation, or construction.

(h) It has less than 100 employees.

(j) It has been in operation in this state for not more than 7 consecutive years.

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

(2) **EARLY STAGE SEED INVESTMENT TAX CREDITS.** The department shall implement a program to certify investment fund managers for purposes of ss. 71.07 (5b), 71.28 (5b), and 71.47 (5b). An investment fund manager desiring certification shall submit an application to the department. In determining whether to certify an investment fund manager, the department shall consider the investment fund manager's experience in managing venture capital funds, the past performance of investment funds managed by the applicant, the expected level of investment in the investment fund to be managed by the applicant, and any other relevant factors. The department may certify only investment fund managers that commit to

consider placing investments in businesses certified under sub. (1).

(3) **ADMINISTRATION.** (a) *List of certified businesses and investment fund managers.* The department shall maintain a list of businesses certified under sub. (1) and investment fund managers certified under sub. (2) and shall permit public access to the lists through the department's Internet website.

(b) *Notification of department of revenue.* The department of commerce shall notify the department of revenue of every certification issued under sub. (1) and (2) and the date on which any such certification is revoked or expires.

(c) *Annual report.* Annually, no later than September 15, the department shall submit a report to the chief clerk of each house of the legislature for distribution to the legislature under s. 13.172 (2), listing all of the following information:

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

2. The name of each business in which investments qualifying for such tax credits were made, the amount of such tax credits, and the amount of such investments.

3. Any other information the department considers reasonable to include.

(d) *Rules.* The department of commerce, in consultation with the department of revenue, shall promulgate rules to administer this section. The rules shall further define "bona fide angel investment" for purposes of s. 71.07 (5d) (a) 1. The rules shall limit the aggregate amount of tax credits under s. 71.07 (5d) that may be claimed for investments in businesses certified under sub. (1) at \$3,000,000 per taxable year for taxable years beginning after December 31, 2004, and before January 1, 2015. The rules shall also limit the aggregate amount of the tax credits under ss. 71.07 (5b), 71.28 (5b), and 71.47 (5b) that may be claimed for investments paid to fund managers certified under sub. (2) at \$3,500,000 per taxable year for taxable years beginning after December 31, 2004, and before January 1, 2015. The rules may not permit the department of commerce or the department of revenue to assign a dollar amount of investments qualifying for tax credits that a particular business may subsequently raise.

SECTION 21. 560.275 of the statutes is created to read:

560.275 Technology commercialization grant and loan program. (1) **DEFINITION.** In this section, "Project costs" means the total cost of a project financed, at least in part, by a grant or loan under sub. (2), calculated as provided by rule of the department.

(2) **AUTHORIZED GRANTS AND LOANS.** (a) *Early stage planning grants and loans.* The department may make a grant or loan from the appropriation under s. 20.143 (1) (dk) or (ik) for the purpose of funding professional services related to completing an application to be submitted

to the federal government for the purpose of obtaining early stage research and development funding or for the purpose of funding professional services that are required to accomplish specific tasks established as a condition of receiving early stage financing from 3rd parties that is necessary for business development.

(b) *Matching grants and loans.* 1. The department may make a grant or loan from the appropriation under s. 20.143 (1) (dk) or (ik) for the purpose of funding professional services related to developing a proposed technologically innovative product, process, or service, if the applicant has received a grant from the federal government for a substantially similar purpose.

2. The department may make a grant or loan from the appropriation under s. 20.143 (1) (dk) or (ik) for the purpose of funding professional services related to the accelerated commercialization of a technologically innovative product, process, or service, if the federal government has notified the applicant that the applicant will receive a grant from the federal government for a substantially similar purpose.

(c) *Bridge grants and loans.* The department may make a grant or loan from the appropriation under s. 20.143 (1) (dk) or (ik) to a person who has received early stage financing from 3rd parties or a grant from the federal government to fund early stage research and development and who has sought additional early stage financing from 3rd parties or applied for an additional grant from the federal government to fund early stage research and development. A grant or loan under this paragraph shall be for the purpose of funding professional services necessary to maintain the project research and management team and funding basic operations until the applicant's additional 3rd party financing request or federal grant application is approved or denied.

(d) *Venture capital grants and loans.* The department may make a grant or loan from the appropriation under s. 20.143 (1) (dk) or (ik) for the purpose of enhancing the applicant's ability to obtain early stage financing from 3rd parties.

(e) *Entrepreneurial and technology transfer center grants.* The department may make a grant from the appropriation under s. 20.143 (1) (dk) or (ik) for the purpose of supporting any entrepreneurial and technology transfer center that satisfies all of the following criteria:

1. The center serves multiple regions of this state.

2. The center provides assistance, other than financial assistance, to entrepreneurs to facilitate business development.

3. The center reviews and analyzes entrepreneurial business plans and offers advice concerning the improvement of the plans.

4. The center provides advice to entrepreneurs concerning patent, trademark, and copyright issues.

5. The center provides appropriate referral services to entrepreneurs.

(3) GRANT AND LOAN AMOUNTS. (a) *Early stage planning grants and loans.* In determining the amount of a grant or loan under sub. (2) (a), the department shall consider all of the following, in addition to any other information the department considers relevant:

1. The amount of economic impact the applicant, if successful, will have in this state.
2. The quality of any businesses assisting the applicant.
3. The level of need demonstrated by the applicant.
4. The applicant's record of obtaining early stage financing in the past.

(b) *Matching grants and loans.* In determining the amount of a grant or loan under sub. (2) (b), the department shall consider all of the following criteria, in addition to any other information the department considers relevant:

1. The viability of the applicant's business.
2. The likelihood that the applicant will successfully commercialize technology.
3. The applicant's management plan and management team.
4. The amount of economic impact the applicant, if successful, will have in this state.
5. The applicant's record of obtaining early stage financing in the past.

(4) LIMITATIONS ON GRANT AND LOAN AMOUNTS. (a) *Early stage planning grants and loans.* A grant or loan under sub. (2) (a) may not exceed \$15,000.

(b) *Matching grants and loans.* A grant or loan under sub. (2) (b) may not exceed 20 percent of the project costs or \$250,000, whichever is less.

(c) *Bridge grants and loans.* A grant or loan under sub. (2) (c) may not exceed 75 percent of the project costs or \$100,000, whichever is less.

(d) *Venture capital grants and loans.* A grant or loan under sub. (2) (d) may not exceed 50 percent of the project costs or \$250,000, whichever is less.

(e) *Entrepreneurial and technology transfer grants.* The total amount of grants under sub. (2) (e) may not exceed \$500,000 in any fiscal year.

(5) ELIGIBILITY. The department may make a grant or loan under sub. (2) (a) to (d) to an applicant only if all of the following apply:

- (a) The applicant:
 1. Is a small business, or individual entrepreneur who intends to form a small business, that is completing a grant application to be submitted to the federal government for the purpose of obtaining early stage research and development funding, except that if the application is for a grant under sub. (2) (b), the requirement that the applicant be completing a federal grant application does not apply; or
 2. Is an individual who is starting or developing a business which has significant growth potential, as evidenced by the potential to attract and receive early stage

financing from 3rd parties, but who needs assistance with a specific facet of starting or developing the business.

(b) If the applicant seeks a grant or loan under sub. (2) (a), the applicant has sufficient funding from sources other than the state to finance at least 25% of the project costs.

(c) The applicant has or will have a business location in this state.

(d) If the application relates to a product, the product will be manufactured substantially in this state.

(e) If the application relates to a service, the principal place of business from which the service will be sold will be located in this state.

(f) All grant moneys will be spent in this state.

(6) GRANT AND LOAN DISTRIBUTION PLAN. No later than December 1 of each even-numbered year, the department shall develop a biennial plan for awarding grants and loans under sub. (2) and shall submit the plan to the governor and to the chief clerk of each house of the legislature, for distribution to the appropriate standing committees under s. 13.172 (3).

(7) ADMINISTRATION. (a) *In-kind grants of services.* The department may contract with, and pay the proceeds of any grant under sub. (2) (a) to (d) directly to, any person who provides services which the grant is intended to fund.

(b) *Rules.* The department shall promulgate rules to administer this section. The rules shall establish application, reporting, auditing, and monitoring requirements.

SECTION 22. Nonstatutory provisions.

(1) RULES.

(a) The department of commerce shall submit in proposed form the rules required under sections 560.205 and 560.275 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 paragraph.

(b) The department of revenue shall submit in proposed form the rules required under section 71.07 (5d) (a) 1. 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 paragraph.

SECTION 23. Appropriation changes.

(1) AUTHORIZED POSITIONS AND PROMOTIONAL ACTIVITIES. In the schedule under section 20.005 (3) of the statutes for the appropriation to the department of commerce under section 20.143 (1) (a) of the statutes, as affected by the acts of 2005, the dollar amount is increased by \$100,000 for fiscal year 2005-06 and the dollar amount is increased by \$200,000 for fiscal year 2006-07 to increase the authorized FTE positions for the department by 2.0 GPR positions for the administration of section 560.275 of the statutes, as created by this act, and to provide funding for educational publications and instruction

2003 Senate Bill 261

- 7 -

2003 Wisconsin Act

provided by the department to promote the technology commercialization grant and loan program.

(2m) TECHNOLOGY COMMERCIALIZATION GRANT AND LOAN PROGRAM. Notwithstanding section 20.001 (3) (c) of the statutes, on June 30, 2005, there is lapsed to the general fund \$2,600,000 from the appropriation account of the department of commerce under section 20.143 (1) (dk) of the statutes, as affected by the acts of 2003.

SECTION 24. Initial applicability.

(1) The treatment of sections 71.05 (6) (a) 15., 71.07 (5b) and (5d), 71.08 (1) (intro.), 71.10 (4) (gwb) and (gx), 71.21 (4), 71.26 (2) (a), 71.28 (5b), 71.30 (3) (eop), 71.34

(1) (g), 71.45 (2) (a) 10., 71.47 (5b), 71.49 (1) (eop), and 77.92 (4) of the statutes first applies to taxable years beginning on January 1, 2005.

SECTION 25. Effective dates. This act takes effect on July 1, 2004, except as follows:

(1) RULES. SECTION 22 (1) of this act takes effect on the day after publication.

(2) APPROPRIATION CHANGES. The treatment of section 20.143 (1) (dk) and (ik) of the statutes and SECTION 23 (1) of this act take effect on the 2nd day after publication of the 2005-07 biennial budget act.
