

**SENATE SUBSTITUTE AMENDMENT 2,  
TO 2003 SENATE BILL 261**

November 13, 2003 – Offered by Senators PANZER, ERPENBACH, DARLING, PLALE,  
ROESSLER, MOORE, LASSA, LEIBHAM and KANAVAS.

1     **AN ACT** *to amend* 71.05 (6) (a) 15., 71.08 (1) (intro.), 71.21 (4), 71.26 (2) (a), 71.34  
2         (1) (g), 71.45 (2) (a) 10. and 77.92 (4); and *to create* 20.143 (1) (dk), 20.143 (1)  
3         (ik), 71.07 (5b), 71.07 (5d), 71.10 (4) (gwb), 71.10 (4) (gx), 71.28 (5b), 71.30 (3)  
4         (eop), 71.47 (5b), 71.49 (1) (eop), 560.03 (25), 560.205 and 560.275 of the  
5         statutes; **relating to:** creating a technology commercialization grant and loan  
6         program, creating a qualified new business venture tax credit and an early  
7         stage investment tax credit, facilitating the development of certain investor  
8         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:***

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

	<b>2003–04</b>	<b>2004–05</b>
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**20.143 Commerce, department of**

(1) ECONOMIC AND COMMUNITY DEVELOPMENT

(dk) Technology commercialization

grant and loan program; assis-

tance.

GPR B

\$4,500,000

**SECTION 2.** 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 3.** 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 4.** 71.05 (6) (a) 15. of the statutes 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), (2ts), (2dx), (3g), ~~and (3s), (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 5.** 71.07 (5b) of the statutes is created to read:

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

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

1           2. “Fund manager” means an investment fund manager certified under s.  
2           560.205 (2).

3           (b) *Filing claims.* For taxable years beginning after December 31, 2004, subject  
4           to the limitations provided under this subsection and s. 560.205, a claimant may  
5           claim as a credit against the tax imposed under ss. 71.02 and 71.08, up to the amount  
6           of those taxes, in each taxable year for 10 years, beginning with the taxable year in  
7           which the claimant’s initial investment is made, 4 percent of the claimant’s initial  
8           investment paid to a fund manager that the fund manager invests in a business  
9           certified under s. 560.205 (1).

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

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

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

24          **SECTION 6.** 71.07 (5d) of the statutes is created to read:

1           71.07 (5d) QUALIFIED NEW BUSINESS VENTURE CREDIT. (a) *Definitions.* In this  
2 subsection:

3           1. “Bona fide angel investment” means a purchase of an equity interest, or any  
4 other expenditure, as determined by rule by the department, that is made by any of  
5 the following:

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

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

9           2. “Claimant” means an individual who files a claim under this subsection.

10          3. “Qualified new business venture” means a business that is certified under  
11 s. 560.205 (1).

12          (b) *Filing claims.* Subject to the limitations provided in this subsection and in  
13 s. 560.205, a claimant may claim as a credit against the tax imposed under s. 71.02  
14 or 71.08, up to the amount of those taxes, an amount equal to 40 percent of the  
15 claimant’s bona fide angel investment made directly in a qualified new business  
16 venture in the taxable year.

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

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

22          3. For a claimant who is a nonresident or part-year resident of this state and  
23 who is a single person or a married person filing a separate return, multiply the  
24 credit for which the claimant is eligible under par. (b) by a fraction, the numerator  
25 of which is the individual’s Wisconsin adjusted gross income and the denominator of

1 which is the individual's federal adjusted gross income. If a claimant is married and  
2 files a joint return, and if the claimant or the claimant's spouse, or both, are  
3 nonresidents or part-year residents of this state, multiply the credit for which the  
4 claimant is eligible under par. (b) by a fraction, the numerator of which is the couple's  
5 joint Wisconsin adjusted gross income and the denominator of which is the couple's  
6 joint federal adjusted gross income.

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

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

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

15 **SECTION 7.** 71.08 (1) (intro.) of the statutes is amended to read:

16 71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married  
17 couple filing jointly, trust or estate under s. 71.02, not considering the credits under  
18 ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ts), (2dx), (2fd), (3m), (3s), and  
19 (5b), (5d), (6), ~~(6s)~~, and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ts), (1dx), (1fd),  
20 (2m) and (3) and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ts), (1dx), (1fd), (2m) and (3)  
21 and subchs. VIII and IX and payments to other states under s. 71.07 (7), is less than  
22 the tax under this section, there is imposed on that natural person, married couple  
23 filing jointly, trust or estate, instead of the tax under s. 71.02, an alternative  
24 minimum tax computed as follows:

25 **SECTION 8.** 71.10 (4) (gwb) of the statutes is created to read:

1           71.10 (4) (gwb) Early stage investment credit under s. 71.07 (5b).

2           **SECTION 9.** 71.10 (4) (gx) of the statutes is created to read:

3           71.10 (4) (gx) Qualified new business venture credit under s. 71.07 (5d).

4           **SECTION 10.** 71.21 (4) of the statutes is amended to read:

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

8           **SECTION 11.** 71.26 (2) (a) of the statutes is amended to read:

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

24          **SECTION 12.** 71.28 (5b) of the statutes is created to read:

25          71.28 (5b) EARLY STAGE INVESTMENT CREDIT. (a) *Definitions.* In this subsection:

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

2           2. “Fund manager” means an investment fund manager certified under s.  
3 560.205 (2).

4           (b) *Filing claims.* For taxable years beginning after December 31, 2004, subject  
5 to the limitations provided under this subsection and s. 560.205, a claimant may  
6 claim as a credit against the tax imposed under s. 71.23, up to the amount of those  
7 taxes, in each taxable year for 10 years, beginning with the taxable year in which the  
8 claimant’s initial investment is made, 4 percent of the claimant’s initial investment  
9 paid to a fund manager that the fund manager invests in a business certified under  
10 s. 560.205 (1).

11           (c) *Limitations.* 1. The maximum amount of the credits that may be claimed  
12 under this subsection and ss. 71.07 (5b) and 71.47 (5b) for all taxable years combined  
13 is \$35,000,000.

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

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

25           **SECTION 13.** 71.30 (3) (eop) of the statutes is created to read:

1           71.30 **(3)** (eop) Early stage investment credit under s. 71.28 (5b).

2           **SECTION 14.** 71.34 (1) (g) of the statutes is amended to read:

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

6           **SECTION 15.** 71.45 (2) (a) 10. of the statutes is amended to read:

7           71.45 **(2)** (a) 10. By adding to federal taxable income the amount of credit  
8 computed under s. 71.47 (1dd) to (1dx) and (5b) and not passed through by a  
9 partnership, limited liability company or tax–option corporation that has added that  
10 amount to the partnership’s, limited liability company’s or tax–option corporation’s  
11 income under s. 71.21 (4) or 71.34 (1) (g) and the amount of credit computed under  
12 s. 71.47 (1), (3), (4) and (5).

13           **SECTION 16.** 71.47 (5b) of the statutes is created to read:

14           71.47 **(5b)** EARLY STAGE INVESTMENT CREDIT. (a) *Definitions.* In this subsection:

- 15           1. “Claimant” means a person who files a claim under this subsection.  
16           2. “Fund manager” means an investment fund manager certified under s.  
17 560.205 (2).

18           (b) *Filing claims.* For taxable years beginning after December 31, 2004, subject  
19 to the limitations provided under this subsection and s. 560.205, a claimant may  
20 claim as a credit against the tax imposed under s. 71.43, up to the amount of those  
21 taxes, in each taxable year for 10 years, beginning with the taxable year in which the  
22 claimant’s initial investment is made, 4 percent of the claimant’s initial investment  
23 paid to a fund manager that the fund manager invests in a business certified under  
24 s. 560.205 (1).



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

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

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

15          **SECTION 17.** 71.49 (1) (eop) of the statutes is created to read:

16          71.49 (1) (eop) Early stage investment credit under s. 71.47 (5b).

17          **SECTION 18.** 77.92 (4) of the statutes is amended to read:

18          77.92 (4) “Net business income”, with respect to a partnership, means taxable  
19          income as calculated under section 703 of the Internal Revenue Code; plus the items  
20          of income and gain under section 702 of the Internal Revenue Code, including taxable  
21          state and municipal bond interest and excluding nontaxable interest income or  
22          dividend income from federal government obligations; minus the items of loss and  
23          deduction under section 702 of the Internal Revenue Code, except items that are not  
24          deductible under s. 71.21; plus guaranteed payments to partners under section 707  
25          (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),

1 (2di), (2dj), (2dL), (2dm), (2dr), (2ts), (2dx), and (3g), and (3s), and (5b); and plus or  
2 minus, as appropriate, transitional adjustments, depreciation differences, and basis  
3 differences under s. 71.05 (13), (15), (16), (17), and (19); but excluding income, gain,  
4 loss, and deductions from farming. “Net business income”, with respect to a natural  
5 person, estate, or trust, means profit from a trade or business for federal income tax  
6 purposes and includes net income derived as an employee as defined in section 3121  
7 (d) (3) of the Internal Revenue Code.

8 **SECTION 19.** 560.03 (25) of the statutes is created to read:

9 560.03 (25) In cooperation with the department of financial institutions and  
10 the board of regents of the University of Wisconsin System, provide education and  
11 other support to facilitate the development networks of bona fide angel investors, as  
12 defined in s. 71.07 (5d) (a) 1.

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

14 **560.205 Early stage business investment program. (1) ANGEL**  
15 **INVESTMENT TAX CREDITS.** The department shall implement a program to certify  
16 businesses for purposes of s. 71.07 (5d). A business desiring certification shall  
17 submit an application to the department in each taxable year for which the business  
18 desires certification. Unless otherwise provided under the rules of the department,  
19 a business may be certified under this subsection, and may maintain such  
20 certification, only if the business satisfies all of the following conditions:

21 (a) It has its headquarters in this state.

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

1 (c) Its average annual net income, if any, for each of the 2 taxable years  
2 immediately preceding the taxable year to which the certification applies does not  
3 exceed \$5,000,000.

4 (d) Its net worth, if any, in the taxable year to which the certification applies  
5 does not exceed \$10,000,000.

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

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

13 (g) It has less than 100 employees.

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

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

17 **(2) EARLY STAGE SEED INVESTMENT TAX CREDITS.** The department shall implement  
18 a program to certify investment fund managers for purposes of ss. 71.07 (5b), 71.28  
19 (5b), and 71.47 (5b). An investment fund manager desiring certification shall submit  
20 an application to the department. In determining whether to certify an investment  
21 fund manager, the department shall consider the investment fund manager's  
22 experience in managing venture capital funds, the past performance of investment  
23 funds managed by the applicant, the expected level of investment in the investment  
24 fund to be managed by the applicant, and any other relevant factors. The

1 department may certify only investment fund managers that commit to consider  
2 placing investments in businesses certified under sub. (1).

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

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

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

13 1. The total amount of tax credits claimed under ss. 71.07 (5b) and (5d), 71.28  
14 (5b), and 71.47 (5b) per taxable year.

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

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

19 (d) *Rules.* The department of commerce, in consultation with the department  
20 of revenue, shall promulgate rules to administer this section. The rules shall limit  
21 the aggregate amount of tax credits under s. 71.07 (5d) that may be claimed for  
22 investments in businesses certified under sub. (1) at \$1,500,000 per taxable year for  
23 taxable years beginning on January 1, 2006, and January 1, 2007, and \$3,000,000  
24 per taxable year for each succeeding taxable year through the taxable year beginning  
25 on January 1, 2016. The rules may not permit the department of commerce or the

1 department of revenue to assign a dollar amount of investments qualifying for the  
2 tax credits under s. 71.07 (5d) that a particular business may subsequently raise.

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

4 **560.275 Technology commercialization grant and loan program. (1)**

5 DEFINITION. In this section, “Project costs” means the total cost of a project financed,  
6 at least in part, by a grant or loan under sub. (2), calculated as provided by rule of  
7 the department.

8 **(2) AUTHORIZED GRANTS AND LOANS. (a) *Early stage planning grants and loans.***

9 The department may make a grant or loan from the appropriation under s. 20.143  
10 (1) (dk) or (ik) for the purpose of funding professional services related to completing  
11 an application to be submitted to the federal government for the purpose of obtaining  
12 early stage research and development funding or for the purpose of funding  
13 professional services that are required to accomplish specific tasks established as a  
14 condition of receiving early stage financing from 3rd parties that is necessary for  
15 business development.

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

21 2. The department may make a grant or loan from the appropriation under s.  
22 20.143 (1) (dk) or (ik) for the purpose of funding professional services related to the  
23 accelerated commercialization of a technologically innovative product, process, or  
24 service, if the federal government has notified the applicant that the applicant will  
25 receive a grant from the federal government for a substantially similar purpose.

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

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

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

- 18           1. The center serves multiple regions of this state.
- 19           2. The center provides assistance, other than financial assistance, to  
20 entrepreneurs to facilitate business development.
- 21           3. The center reviews and analyzes entrepreneurial business plans and offers  
22 advice concerning the improvement of the plans.
- 23           4. The center provides advice to entrepreneurs concerning patent, trademark,  
24 and copyright issues.
- 25           5. The center provides appropriate referral services to entrepreneurs.

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

5           1. The amount of economic impact the applicant, if successful, will have in this  
6 state.

7           2. The quality of any businesses assisting the applicant.

8           3. The level of need demonstrated by the applicant.

9           4. The applicant's record of obtaining early stage financing in the past.

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

13          1. The viability of the applicant's business.

14          2. The likelihood that the applicant will successfully commercialize technology.

15          3. The applicant's management plan and management team.

16          4. The amount of economic impact the applicant, if successful, will have in this  
17 state.

18          5. The applicant's record of obtaining early stage financing in the past.

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

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

23          (c) *Bridge grants and loans.* A grant or loan under sub. (2) (c) may not exceed  
24 75 percent of the project costs or \$100,000, whichever is less.

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

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

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

7 (a) The applicant:

8 1. Is a small business, or individual entrepreneur who intends to form a small  
9 business, that is completing a grant application to be submitted to the federal  
10 government for the purpose of obtaining early stage research and development  
11 funding, except that if the application is for a grant under sub. (2) (b), the  
12 requirement that the applicant be completing a federal grant application does not  
13 apply; or

14 2. Is an individual who is starting or developing a business which has  
15 significant growth potential, as evidenced by the potential to attract and receive  
16 early stage financing from 3rd parties, but who needs assistance with a specific facet  
17 of starting or developing the business.

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

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

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

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



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

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

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

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

13 **SECTION 22. Nonstatutory provisions.**

14 (1) **RULES.**

15 (a) The department of commerce shall submit in proposed form the rules  
16 required under sections 560.205 and 560.275 of the statutes, as created by this act,  
17 to the legislative council staff under section 227.15 (1) of the statutes no later than  
18 the first day of the 6th month beginning after the effective date of this paragraph.

19 (b) The department of revenue shall submit in proposed form the rules required  
20 under section 71.07 (5d) (a) 1. of the statutes, as created by this act, to the legislative  
21 council staff under section 227.15 (1) of the statutes no later than the first day of the  
22 6th month beginning after the effective date of this paragraph.

23 **SECTION 23. Appropriation changes.**

24 (1) **AUTHORIZED POSITIONS AND PROMOTIONAL ACTIVITIES.** In the schedule under  
25 section 20.005 (3) of the statutes for the appropriation to the department of commerce

1 under section 20.143 (1) (a) of the statutes, as affected by the acts of 2003, the dollar  
2 amount is increased by \$100,000 for fiscal year 2003–04 and the dollar amount is  
3 increased by \$200,000 for fiscal year 2004–05 to increase the authorized FTE  
4 positions for the department by 2.0 GPR positions for the administration of section  
5 560.275 of the statutes, as created by this act, and to provide funding for educational  
6 publications and instruction provided by the department to promote the technology  
7 commercialization grant and loan program.

8 **SECTION 24. Initial applicability.**

9 (1) The treatment of sections 71.05 (6) (a) 15., 71.07 (5b) and (5d), 71.08 (1)  
10 (intro.), 71.10 (4) (gwb) and (gx), 71.21 (4), 71.26 (2) (a), 71.28 (5b), 71.30 (3) (eop),  
11 71.34 (1) (g), 71.45 (2) (a) 10., 71.47 (5b), 71.49 (1) (eop), and 77.92 (4) of the statutes  
12 first applies to taxable years beginning on January 1, 2005.

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

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

16 (END)