

2003 DRAFTING REQUEST**Senate Amendment (SA-SSA2-SB261)**Received: **11/12/2003**Received By: **jkreye**Wanted: **Today**

Identical to LRB:

For: **Ted Kanavas (608) 266-9174**By/Representing: **jeremey**This file may be shown to any legislator: **NO**Drafter: **jkreye**

May Contact:

Addl. Drafters: **rmarchan**Subject: **Tax - corp. inc. and fran.
Econ. Development - bus. dev.**

Extra Copies:

Submit via email: **YES**Requester's email: **Sen.Kanavas@legis.state.wi.us**Carbon copy (CC:) to: **joseph.kreye@legis.state.wi.us
robert.marchant@legis.state.wi.us**

Pre Topic:

No specific pre topic given

Topic:

Department of Revenue technical concerns

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	jkreye 11/13/2003	wjackson 11/13/2003	rschluet 11/13/2003	_____	sbasford 11/13/2003	sbasford 11/13/2003	

FE Sent For:

<END>

2003 DRAFTING REQUEST

Senate Amendment (SA-SSA(LRBs0260/4)-SB261)

Received: 11/12/2003

Received By: jkreye

Wanted: Today

Identical to LRB:

For: Ted Kanavas (608) 266-9174

By/Representing: jeremey

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact:

Addl. Drafters: rmarchan

Subject: Tax - corp. inc. and fran.
Econ. Development - bus. dev.

Extra Copies:

Submit via email: YES

Requester's email: Sen.Kanavas@legis.state.wi.us

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

Pre Topic:

No specific pre topic given

Topic:

Department of Revenue technical concerns

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
--------------	----------------	-----------------	--------------	----------------	------------------	-----------------	-----------------

/1	jkreye	1 WJ 11/13					
----	--------	------------	--	--	--	--	--

[Handwritten signature]
 11/13/33 <END>

FE Sent For:

Marchant, Robert

From: Shepherd, Jeremey
Sent: Wednesday, November 12, 2003 3:08 PM
To: Marchant, Robert; Kreye, Joseph
Subject: FW: Comments on 261 & talking points

-----Original Message-----

From: Kearney, Todd
Sent: Wednesday, November 12, 2003 3:04 PM
To: Shepherd, Jeremey
Cc: Nettles, Cory - COMM; Oliver, Aaron - COMM
Subject: Comments on 261 & talking points

As we discussed, Cory is getting some "push back" on the angel investment component of SB 261 in two areas.

1.) The provision that limits net income to \$5 million and net worth to \$10 million. What we are hearing is that \$5 million in net income means the company had \$50 - 100 million in sales which is not an angel company. This concern is somewhat moot since we limit total employees at less than 100 employees. However, we would suggest eliminating the two provisions and relying on the 100 employees or less as the limiter.

2.) Some folks are questioning the size of the credit and its impact on deal flow, i.e., given the dollar limitation the size of the credit impacts the total number of deals we can do in a year. One suggestion that bears looking into is keeping the credit at 40% but allow it to be taken over two years with no more than 20% per year. This would double the number of deals that we could do in the first few years.

Note: The original proposal from you was 20% on the first \$100K and 10% thereafter and ours was 25% - we bumped it to 40% in exchanges for the loss of the cap gains exclusion. The 20% over 2 years seems to be an OK fix.

The other item that we discussed earlier was wording on the early stage fund. The credit language should be adjusted to reflect that it is 40% of the qualified investments made and not 4% per year for 10 years.

I have also included the talking points on the early stage seed fund you requested.

Thanks.



vc allocation
11-12-03.doc

TECHNICAL COMMENTS TO SSA 1 (LRBS 0260/4) TO SB 261

The Department of Revenue has the following comments regarding SSA (LRBs 02604) to SB 261.

- ①. Sec. 560.205 (3)(d) provides that the Department of Commerce, in consultation with the Department of Revenue, should promulgate rules that cap the amount of credits that may be claimed for taxable years beginning on January 1, 2006, and January 1, 2007 at \$1.5 million per taxable year.

→ The Department of Revenue recommends that the \$1.5 million limit be imposed for taxable years beginning on or after January 1, 2006 and before January 1, 2008.

- ②. The credit titles in chapter 560 are not the same as in chapter 71. To eliminate confusion the Department of Revenue recommends renaming the chapter 71 "qualified new business venture credit" the "angel investment tax credit," as it appears in chapter 560. Similarly, the Chapter 71 "early stage investment tax credit" should be renamed as the "early stage seed investment tax credit" as it appears in chapter 560.

- ③. The bill requires the Department of Revenue to enforce the overall cap for the early stage investment credit. Because of the way that returns are filed and processed by the Department, it would be virtually impossible to determine when the cap was reached. Returns are processed in different ways depending upon the type of return. Also, if claimants are not sure that they would actually receive a credit, the credit would offer limited incentive to invest. The Department of Commerce, in consultation with the Department of Revenue should be involved in certifying claims to ensure that the credit cap is not exceeded.

- ④. Section 71.07 (5d) requires the Department of Revenue to define bona fide angel investment by administrative rule. The Department recommends that the bill provide in chapter 560 that the definition be determined by Department of Commerce rule.

~~5.~~ It is unclear what is meant by a network of individuals who may claim the qualified new business venture credit. A partnership is any activity carried on by two or more persons for profit. The bill does not allow partnerships to receive credit.

~~6.~~ If the Department of Revenue must disallow a credit because the dollar maximum has been exceeded, the claimant should be allowed a subtraction from income for the amount of the credit not received, assuming the claimant had originally reported the credit as income.

PW:skr

t:\rpt\pw\venture capital\ssa1 to 261 slash 4.doc

*Rules like
angel*



State of Wisconsin
2003 - 2004 LEGISLATURE

LRBa1801/1
JK:/:....
Wlj

SENATE AMENDMENT,
TO SENATE SUBSTITUTE AMENDMENT (LRBs 0260/4),
TO 2003 SENATE BILL 261

m 11-13-03

NOW

Page 1, line 6: delete "qualified new business venture" and substitute "angel investment" ⊙

- 1 At the locations indicated, amend the substitute amendment as follows:
- 2 ↓ # Page 1, line 7: after "stage" insert "seed" ⊙
- 3 ↓ 1. Page 2, line 22: after "STAGE" insert "SEED".
- 4 ⊙ ↓ 2. Page 3, line 6: delete lines 6 and 7 and substitute "of those taxes, 40 percent
- 5 of the claimant's initial".
- 6 ↓ 3. Page 3, line 8: after "paid" insert "in the taxable year".
- 7 ↓ 4. Page 4, line 1: delete "QUALIFIED NEW BUSINESS VENTURE" and substitute
- 8 "ANGEL INVESTMENT".
- 9 ↓ 5. Page 6, line 1: after "stage" insert "seed".
- 10 ↓ 6. Page 6, line 3: delete "Qualified new business venture" and substitute
- 11 "Angel investment".
- ↓ 7. Page 6, line 25: after "STAGE" insert "SEED".

INSERT
↑

- 1 ✓ **8.** Page 7, line 7: delete lines 7 and 8 and substitute ^g “taxes, 40 percent of the
2 claimant’s initial investment”.
- 3 ✓ **9.** Page 7, line 9: after “paid” insert “in the taxable year”.
- 4 ✓ **10.** Page 8, line 1: after “stage” insert “seed”.
- 5 ✓ **11.** Page 8, line 14: after “STAGE” insert “SEED”.
- 6 ✓ **12.** Page 8, line 21: delete lines 21 and 22 and substitute: “taxes, 40 percent
7 of the claimant’s initial investment”.
- 8 ✓ **13.** Page 8, line 23: after “paid” insert “in the taxable year”.
- 9 ✓ **14.** Page 9, line 16: after “stage” insert “seed”.

10 (END)

INSERT
B

2003-2004 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBa1801/lins
RJM:.....

INSERT

INSERT A

✓ ~~#1~~. Page 4, line 4: delete "by the department" and substitute "under s. 560.205 (3) (d)".

✓ ~~#2~~. Page 11, line 1: delete lines 1 to 5.

✓ ~~#3~~. Page 12, line 23: after "on" insert "or after".

✓ ~~#4~~. Page 12, line 23: delete "January 1, 2007" and substitute "before January 1, 2008".

✓ ~~#5~~. Page 12, line 20: after "section." insert "The rules shall further define "bona fide angel investment" for purposes of s. 71.07 (5d) (a) 1.".

✓ ~~#6~~. Page 12, line 25: after "2016." insert "The rules shall contain a method for ensuring that the limit on tax credits specified in ss. 71.07 (5b) (c) 1., 71.28 (5b) (c) 1., and 71.47 (5b) (c) 1. is not exceeded.".

✓ ~~#7~~. Page 13, line 1: delete "the".

✓ ~~#8~~. Page 13, line 2: delete "under s. 71.07 (5d)".

INSERT B

LRB a1801/1

JK

CCC to SA 1 to SSA 2 to SB 261

~~November~~, 2003

~~In engrossing, the following corrections
were made:~~

#. Page 1, line 2: before "qualified"

insert "a".

Page 1, line 2: before "angel"

insert "an".

gjs



State of Wisconsin
2003 - 2004 LEGISLATURE

LRBa1801/1
JK:wlj:rs

**SENATE AMENDMENT 1,
TO SENATE SUBSTITUTE AMENDMENT 2,
TO 2003 SENATE BILL 261**

November 13, 2003 – Offered by Senator KANAVAS.

1 At the locations indicated, amend the substitute amendment as follows:

2 **1.** Page 1, line 6: delete “qualified new business venture” and substitute “angel
3 investment”.

4 **2.** Page 1, line 7: after “stage” insert “seed”.

5 **3.** Page 2, line 22: after “STAGE” insert “SEED”.

6 **4.** Page 3, line 6: delete lines 6 and 7 and substitute “of those taxes, 40 percent
7 of the claimant’s initial”.

8 **5.** Page 3, line 8: after “paid” insert “in the taxable year”.

9 **6.** Page 4, line 1: delete “QUALIFIED NEW BUSINESS VENTURE” and substitute
10 “ANGEL INVESTMENT”.



State of Wisconsin
2003-2004 LEGISLATURE

CORRECTIONS IN:

**SENATE AMENDMENT 1,
TO SENATE SUBSTITUTE AMENDMENT 2,
TO 2003 SENATE BILL 261**

Prepared by the Legislative Reference Bureau
(November 21, 2003)

1. Page 1, line 2: before "qualified" insert "a".
2. Page 1, line 2: before "angel" insert "an".