

**2009 DRAFTING REQUEST**

**Bill**

Received: **02/04/2009**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget**

By/Representing: **Weidner**

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

Drafter: **jkreye**

May Contact:

Addl. Drafters:

Subject: **Tax, Business - credits**

Extra Copies:

Submit via email: **NO**

**Pre Topic:**

DOA:.....Weidner, BAB -

**Topic:**

Angel investment tax credit changes

**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>
/?	jkreye 02/04/2009	kfollett 02/04/2009		_____			State
/P1	jkreye 02/06/2009	kfollett 02/06/2009	mduchek 02/04/2009	_____	lparisi 02/04/2009		State
/P2	jkreye 02/06/2009	kfollett 02/06/2009	jfrantze 02/06/2009	_____	mbarman 02/06/2009		State
/P3			phenry 02/09/2009	_____	sbasford 02/09/2009		State
/P4	jkreye 02/10/2009	kfollett 02/10/2009	rschluet 02/10/2009	_____	lparisi 02/10/2009		State

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
	jkreye 02/10/2009	kfollett 02/10/2009		_____			
/P5	jkreye 02/11/2009	kfollett 02/11/2009	jfrantze 02/10/2009	_____	sbasford 02/10/2009		State
/P6	jkreye 02/12/2009	kfollett 02/12/2009	phenry 02/11/2009	_____	lparisi 02/11/2009		State
/P7			mduchek 02/12/2009	_____	lparisi 02/12/2009		

FE Sent For:

**<END>**

**2009 DRAFTING REQUEST**

**Bill**

Received: **02/04/2009**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget**

By/Representing: **Weidner**

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

Drafter: **jkreye**

May Contact:

Addl. Drafters:

Subject: **Tax, Business - credits**

Extra Copies:

Submit via email: **NO**

**Pre Topic:**

DOA:.....Weidner, BAB -

**Topic:**

Angel investment tax credit changes

**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>
/?	jkreye 02/04/2009	kfollett 02/04/2009		_____			State
/P1	jkreye 02/06/2009	kfollett 02/06/2009	mduchek 02/04/2009	_____	lparisi 02/04/2009		State
/P2	jkreye 02/06/2009	kfollett 02/06/2009	jfrantze 02/06/2009	_____	mbarman 02/06/2009		State
/P3			phenry 02/09/2009	_____	sbasford 02/09/2009		State
/P4	jkreye 02/10/2009	kfollett 02/10/2009	rschluet 02/10/2009	_____	lparisi 02/10/2009		State

*1/P7 k/f  
2/1/09*

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
	jkreye 02/10/2009	kfollett 02/10/2009		_____			
/P5	jkreye 02/11/2009	kfollett 02/11/2009	jfrantze 02/10/2009	_____	sbasford 02/10/2009		State
/P6			phenry 02/11/2009	_____	lparisi 02/11/2009		

FE Sent For:

<END>

**2009 DRAFTING REQUEST**

**Bill**

Received: **02/04/2009**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget**

By/Representing: **Weidner**

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

Drafter: **jkreye**

May Contact:

Addl. Drafters:

Subject: **Tax, Business - credits**

Extra Copies:

Submit via email: **NO**

---

**Pre Topic:**

DOA:.....Weidner, BAB -

---

**Topic:**

Angel investment tax credit changes

---

**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>
/?	jkreye 02/04/2009	kfollett 02/04/2009		_____			State
/P1	jkreye 02/06/2009	kfollett 02/06/2009	mduchek 02/04/2009	_____	lparisi 02/04/2009		State
/P2	jkreye 02/06/2009	kfollett 02/06/2009	jfrantze 02/06/2009	_____	mbarman 02/06/2009		State
/P3			phenry 02/09/2009	_____	sbasford 02/09/2009		State
/P4	jkreye 02/10/2009	kfollett 02/10/2009	rschluef 02/10/2009	_____	lparisi 02/10/2009		State

Vers.      Drafted      Reviewed      Typed      Proofed      Submitted      Jacketed      Required

jkreye  
02/10/2009

kfollett  
02/10/2009

\_\_\_\_\_

\_\_\_\_\_

/P5

*1 P6 kjf*  
*2/11*

jfrantze  
02/10/2009

\_\_\_\_\_

\_\_\_\_\_

sbasford  
02/10/2009

FE Sent For:

<END>

**2009 DRAFTING REQUEST**

**Bill**

Received: **02/04/2009**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget**

By/Representing: **Weidner**

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

Drafter: **jkreye**

May Contact:

Addl. Drafters:

Subject: **Tax, Business - credits**

Extra Copies:

Submit via email: **NO**

---

**Pre Topic:**

DOA:.....Weidner, BAB -

---

**Topic:**

Angel investment tax credit changes

---

**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>
/?	jkreye 02/04/2009	kfollett 02/04/2009		_____			State
/P1	jkreye 02/06/2009	kfollett 02/06/2009	mduchek 02/04/2009	_____	lparisi 02/04/2009		State
/P2	jkreye 02/06/2009	kfollett 02/06/2009	jfrantze 02/06/2009	_____	mbarman 02/06/2009		State
/P3			phenry 02/09/2009	_____	sbasford 02/09/2009		State
/P4	jkreye 02/10/2009	kfollett 02/10/2009	rschluet 02/10/2009	_____	lparisi 02/10/2009		State

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
	jkreye 02/10/2009	kfollett 02/10/2009	lrb_lps	_____ _____			

FE Sent For:

<END>



**2009 DRAFTING REQUEST**

**Bill**

Received: **02/04/2009**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget**

By/Representing: ~~Miner~~ *Weidner*

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

Drafter: **jkreye**

May Contact:

Addl. Drafters:

Subject: **Tax, Business - credits**

Extra Copies:

Submit via email: **NO**

**Pre Topic:**

DOA:.....Weidner, BAB -

**Topic:**

Angel investment tax credit changes

**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>
/?	jkreye 02/04/2009	kfollett 02/04/2009		_____			State
/P1	jkreye 02/06/2009	kfollett 02/06/2009	mduchek 02/04/2009	_____	lparisi 02/04/2009		State
/P2	jkreye 02/06/2009	kfollett 02/06/2009	jfrantze 02/06/2009	_____	mbarman 02/06/2009		State
/P3			phenry 02/09/2009	_____	sbasford 02/09/2009		State
/P4	jkreye 02/10/2009	kfollett 02/10/2009	rschluet 02/10/2009	_____	lparisi 02/10/2009		

*1/PS kgf  
2/10/09*      *of*      *2/10/09*

Vers.    Drafted    Reviewed    Typed    Proofed    Submitted    Jacketed    Required

FE Sent For:

**<END>**

### 2009 DRAFTING REQUEST

#### Bill

Received: **02/04/2009**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget**

By/Representing: **Miner**

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

Drafter: **jkreye**

May Contact:

Addl. Drafters:

Subject: **Tax, Business - credits**

Extra Copies:

Submit via email: **NO**

---

#### Pre Topic:

DOA:.....Weidner, BAB -

---

#### Topic:

Angel investment tax credit changes

---

#### 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>
/?	jkreye 02/04/2009	kfollett 02/04/2009		_____			State
/P1	jkreye 02/06/2009	kfollett 02/06/2009	mduchek 02/04/2009	_____	lparisi 02/04/2009		State
/P2	jkreye 02/06/2009	kfollett 02/06/2009	jfrantze 02/06/2009	_____	mbarman 02/06/2009		State
/P3		1P4kf 2/18	phenry 02/09/2009	_____	sbasford 02/09/2009		

FE Sent For:

2009 DRAFTING REQUEST

Bill

Received: 02/04/2009

Received By: jkreye

Wanted: As time permits

Identical to LRB:

For: Administration-Budget

By/Representing: *Miner*

This file may be shown to any legislator: NO

Drafter: jkreye *Weidner*

May Contact:

Addl. Drafters: *Weidner*

Subject: Tax, Business - credits

Extra Copies:

Submit via email: NO

Pre Topic:

DOA:.....Weidner, BAB -

Topic:

Angel investment tax credit changes

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>
/?	jkreye 02/04/2009	kfollett 02/04/2009		_____			State
/P1	jkreye 02/06/2009	kfollett 02/06/2009	mduchek 02/04/2009	_____	lparisi 02/04/2009		State
/P2		<i>1P36/2/6</i>	jfrantze 02/06/2009	_____	mbarman 02/06/2009		

FE Sent For:

<END>

2009 DRAFTING REQUEST

Bill

Received: 02/04/2009

Received By: jkreye

Wanted: As time permits

Identical to LRB:

For: Administration-Budget

By/Representing: Miner Weidner

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact:

Addl. Drafters:

Subject: Tax, Business - credits

Extra Copies:

Submit via email: NO

Pre Topic:

DOA:.....Weidner, BAB -

Topic:

Angel investment tax credit changes

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>
/?	jkreye 02/04/2009	kfollett 02/04/2009		_____			State
/P1		1P2kf 2/6	mduchek 02/04/2009	_____	lparisi 02/04/2009		
FE Sent For:			Jo 2/5	_____			<END>

**2009 DRAFTING REQUEST**

**Bill**

Received: **02/04/2009**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget**

By/Representing: **Miner**

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

Drafter: **jkreye**

May Contact:

Addl. Drafters:

Subject: **Tax, Business - credits**

Extra Copies:

Submit via email: **NO**

---

**Pre Topic:**

DOA:.....Weidner, BAB -

---

**Topic:**

Angel investment tax credit changes

---

**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>
--------------	----------------	-----------------	--------------	----------------	------------------	-----------------	-----------------

/?	jkreye	1/16/09 2/4 JF	M	AD			
----	--------	-------------------	---	----	--	--	--

FE Sent For:

2/4 JF  
<END>

1949/P1

BAB

DOA:.....Weidner, BB0006 - Angel investment tax credit changes

FOR 2009-11 BUDGET -- NOT READY FOR INTRODUCTION

2-4-09

Don't Gen

1 AN ACT ...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*

**TAXATION**

**INCOME TAXATION**

Under current law, a person may claim as credit against the person's income or franchise tax liability, in each of two consecutive taxable years, 12.5 percent of the person's investment in a qualified new business venture, as determined by Commerce. The maximum amount of a person's investment that can be used as the basis for the credit is \$2,000,000 and a business may receive no more than \$1,000,000 in investments that qualify for the credit.

Under this bill, a person may claim an income and franchise tax credit equal to 25 percent of the person's investment in a qualified new business venture. The bill allows a person to use more than \$2,000,000 in investments as the basis for the credit and to transfer the amount of any unused credit to another taxpayer. Finally, a business may receive up to \$4,000,000 in investments that qualify for the credit.

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

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

7 (INSERT 2-1)

1           **SECTION 1.** 71.07 (5d) (b) of the statutes is renumbered 71.07 (5d) (b) (intro.)

2 and amended to read:

3           71.07 **(5d)** (b) *Filing claims.* (intro.) Subject to the limitations provided in this  
4 subsection and in s. 560.205, a claimant may claim as a credit against the tax  
5 imposed under s. 71.02 or 71.08, up to the amount of those taxes, the following:

6           1. For taxable years beginning before January 1, 2008, in each taxable year for  
7 2 consecutive years, beginning with the taxable year as certified by the department  
8 of commerce, an amount equal to 12.5 percent of the claimant's bona fide angel  
9 investment made directly in a qualified new business venture.

10           **SECTION 2.** 71.07 (5d) (b) 2. of the statutes is created to read:

11           71.07 **(5d)** (b) 2. For taxable years beginning after December 31, 2007, for the  
12 taxable year certified by the department of commerce, an amount equal to 25 percent  
13 of the claimant's bona fide angel investment made directly in a qualified new  
14 business venture.

15           **SECTION 3.** 71.07 (5d) (c) 2. of the statutes is amended to read:

16           71.07 **(5d)** (c) 2. ~~The~~ For taxable years beginning before January 1, 2008, the  
17 maximum amount of a claimant's investment that may be used as the basis for a  
18 credit under this subsection is \$2,000,000 for each investment made directly in a  
19 business certified under s. 560.205 (1).

20           **SECTION 4.** 560.205 (1) (intro.) of the statutes is amended to read:

21           560.205 **(1)** ANGEL INVESTMENT TAX CREDITS. (intro.) The department shall  
22 implement a program to certify businesses for purposes of s. 71.07 (5d). A business  
23 desiring certification shall submit an application to the department in each taxable  
24 year for which the business desires certification. The business shall specify in its  
25 application the investment amount it wishes to raise and the department may certify



1 the business to receive that amount for purposes of s. 71.07 (5d). Unless otherwise  
2 provided under the rules of the department, a business may be certified under this  
3 subsection, and may maintain such certification, only if the business satisfies all of  
4 the following conditions:

5 **SECTION 5.** 560.205 (1) (f) of the statutes is repealed and recreated to read:

6 560.205 (1) (f) It has the potential for increasing jobs in this state, increasing  
7 capital investment in this state, or both, and any of the following apply:

8 1. It is engaged in, or has committed to engage in, innovation in any of the  
9 following:

10 a. Manufacturing, biotechnology, communications, agriculture, or technologies  
11 that improve operational performance, productivity, or efficiency while reducing  
12 inputs, energy consumption, waste, or pollution.

13 b. Processing or assembling products, including medical devices,  
14 pharmaceuticals, computer software, computer hardware, semiconductors, any  
15 other innovative technology products, or other products that are produced using  
16 manufacturing methods that are enabled by applying proprietary technology.

17 c. Services that are enabled by applying proprietary technology.

18 2. It is conducting research, developing a new product or business process,  
19 commercializing a new product, or developing or commercializing a service that is  
20 principally reliant on applying proprietary technology.

21 **SECTION 6.** 560.205 (1) (g) of the statutes is renumbered 560.205 (1) (g) 1. and  
22 amended to read:

23 560.205 (1) (g) 1. It is not primarily engaged in real estate development,  
24 insurance, banking, lending, lobbying, political consulting, professional services  
25 provided by attorneys, accountants, business consultants, physicians, or health care

1 consultants, wholesale or retail trade, leisure, hospitality, transportation, or  
2 construction, except construction of power production plants that derive energy from  
3 a renewable resource, as defined in s. 196.378 (1) (h).

4 **SECTION 7.** 560.205 (1) (g) 2. of the statutes is created to read:

5 560.205 (1) (g) 2. For purposes of this paragraph, an entity that is engaged in,  
6 or committed to be engaged in, an activity described in subd. 1., but that provides  
7 customers a product or service described in par. (f) as part of being engaged in that  
8 activity, is not considered to be primarily engaged in that activity and may be  
9 certified under this subsection.

10 **SECTION 8.** 560.205 (1) (k) of the statutes is amended to read:

11 560.205 (1) (k) ~~It~~ For taxable years beginning before January 1, 2008, it has  
12 not received more than \$1,000,000 in investments that have qualified for tax credits  
13 under s. 71.07 (5d).

14 **SECTION 9.** 560.205 (1) (km) of the statutes is created to read:

15 560.205 (1) (km) For taxable years beginning after December 31, 2007, it has  
16 not received more than \$4,000,000 in investments that have qualified for tax credits  
17 under s. 71.07 (5d).

18 **SECTION 10.** 560.205 (3) (d) of the statutes is amended to read:

19 560.205 (3) (d) *Rules.* The department of commerce, in consultation with the  
20 department of revenue, shall promulgate rules to administer this section. The rules  
21 shall further define “bona fide angel investment” for purposes of s. 71.07 (5d) (a) 1.  
22 The rules shall limit the aggregate amount of tax credits under s. 71.07 (5d) that may  
23 be claimed for investments in businesses certified under sub. (1) at \$3,000,000 per  
24 calendar year for calendar years beginning after December 31, 2004, and before  
25 January 1, 2008, \$5,500,000 per calendar year for calendar years beginning after

1     December 31, 2007, and before January 1, 2011, and \$18,000,000 per calendar year  
2     for calendar years beginning after December 31, 2010, plus, for taxable years  
3     beginning after December 31, 2008, an additional \$500,000 for tax credits that may  
4     be claimed for investments in nanotechnology businesses certified under sub. (1).

5     The rules shall also limit the aggregate amount of the tax credits under ss. 71.07 (5b),  
6     71.28 (5b), and 71.47 (5b) that may be claimed for investments paid to fund managers  
7     certified under sub. (2) at \$3,500,000 per calendar year for calendar years beginning  
8     after December 31, 2004, and before January 1, 2008, \$6,000,000 per calendar year  
9     for calendar years beginning after December 31, 2007, and before January 1, 2011,  
10    and \$18,500,000 per calendar year for calendar years beginning after December 31,  
11    2010, plus, for taxable years beginning after December 31, 2008, an additional  
12    \$500,000 for tax credits that may be claimed for investments in nanotechnology  
13    businesses certified under sub. (1). The rules shall also provide that, for calendar  
14    years beginning after December 31, 2007, no person may receive a credit under ss.  
15    71.07 (5b) and (5d), 71.28 (5b), or 71.47 (5b) unless the person's investment is kept  
16    in a certified business, or with a certified fund manager, for no less than 3 years.

17           **SECTION 11.** 560.205 (3) (e) of the statutes is created to read:

18           560.205 (3) (e) *Transfer.* A person who is eligible to claim a credit under s. 71.07  
19    (5b) and (5d), 71.28 (5b), or 71.47 (5b) may sell or otherwise transfer the credit to  
20    another person who is subject to the taxes imposed under s. 71.02, 71.23, or 71.47,  
21    if the person notifies the department of commerce and the department of revenue of  
22    the transfer and submits with the notification a copy of the transfer documents. No  
23    person may sell or otherwise transfer a credit as provided in this paragraph more  
24    than once. The department may charge any person selling or otherwise transferring  
25    a credit under this paragraph a fee equal to 1 percent of the credit amount sold or

1 transferred. The department shall deposit all fees collected under this paragraph in  
2 the appropriation account under s. 20.143 (1) (gm).

3 **SECTION 9310. Initial applicability; Commerce.**

4 (1) EARLY STAGE SEED INVESTMENT CREDIT. The treatment of section 560.205 (1)  
5 (f) of the statutes, the renumbering and amendment of section 560.205 (1) (g) of the  
6 statutes, and the creation of section 560.205 (1) (g) 2. and (3) (e) of the statutes first  
7 apply to taxable years beginning on January 1, 2012.

8 (END)

UPS: note

INSERT 2-1

1 SECTION 1. 20.143 (1) (gm) of the statutes is amended to read:

2 20.143 (1) (gm) *Wisconsin development fund, administration of grants and*  
3 *loans.* All moneys received from origination fees under s. 560.68 (3), and from  
4 transfer fees under s. 560.205 (3) (e). for administering the programs under subch.  
5 V of ch. 560 and for the costs of underwriting grants and loans awarded under subch.  
6 V of ch. 560.

7 SECTION 2. 71.07 (5d) (b) of the statutes is renumbered 71.07 (5d) (b) (intro.)  
8 and amended to read:

9 71.07 (5d) (b) *Filing claims.* (intro.) Subject to the limitations provided in this  
10 subsection and in s. 560.205, a claimant may claim as a credit against the tax  
11 imposed under s. 71.02 or 71.08, up to the amount of those taxes, the following:

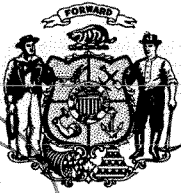
12 1. For taxable years beginning before January 1, 2008, in each taxable year for  
13 2 consecutive years, beginning with the taxable year as certified by the department  
14 of commerce, an amount equal to 12.5 percent of the claimant's bona fide angel  
15 investment made directly in a qualified new business venture.

16 SECTION 3. 71.07 (5d) (b) 2. of the statutes is created to read:

17 71.07 (5d) (b) 2. For taxable years beginning after December 31, 2007, for the  
18 taxable year certified by the department of commerce, an amount equal to 25 percent  
19 of the claimant's bona fide angel investment made directly in a qualified new  
20 business venture.

21 SECTION 4. 71.07 (5d) (c) 2. of the statutes is amended to read:

22 71.07 (5d) (c) 2. The For taxable years beginning before January 1, 2008, the  
23 maximum amount of a claimant's investment that may be used as the basis for a  
24 credit under this subsection is \$2,000,000 for each investment made directly in a  
25 business certified under s. 560.205 (1).



State of Wisconsin  
2009 - 2010 LEGISLATURE

LRB-1949/P1

JK:kjf:md

*RJR*

*PWF*

DOA:.....Weidner, BAB - Angel investment tax credit changes

FOR 2009-11 BUDGET -- NOT READY FOR INTRODUCTION

*in 2-6-09*

1 AN ACT ...; relating to: the budget.

---

*Analysis by the Legislative Reference Bureau*

**TAXATION**

**INCOME TAXATION**

Under current law, a person may claim as credit against the person's income or franchise tax liability, in each of two consecutive taxable years, 12.5 percent of the person's investment in a qualified new business venture, as determined by Commerce. The maximum amount of a person's investment that can be used as the basis for the credit is \$2,000,000 and a business may receive no more than \$1,000,000 in investments that qualify for the credit.

Under this bill, a person may claim an income and franchise tax credit equal to 25 percent of the person's investment in a qualified new business venture. The bill allows a person to use more than \$2,000,000 in investments as the basis for the credit and to transfer the amount of any unused credit to another taxpayer. Finally, a business may receive up to \$4,000,000 in investments that qualify for the credit.

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

---

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

1 SECTION 1. 20.143 (1) (gm) of the statutes is amended to read:

2 20.143 (1) (gm) *Wisconsin development fund, administration of grants and*  
3 *loans.* All moneys received from origination fees under s. 560.68 (3), and from  
4 transfer fees under s. 560.205 (3) (e), for administering the programs under subch.  
5 V of ch. 560 and for the costs of underwriting grants and loans awarded under subch.  
6 V of ch. 560.

7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
7  
INJECT  
2-6

7 SECTION 2. 71.07 (5d) (b) of the statutes is renumbered 71.07 (5d) (b) (intro.)  
8 and amended to read:

9 71.07 (5d) (b) *Filing claims.* (intro.) Subject to the limitations provided in this  
10 subsection and in s. 560.205, a claimant may claim as a credit against the tax  
11 imposed under s. 71.02 or 71.08, up to the amount of those taxes, the following:

12 1. For taxable years beginning before January 1, 2008, in each taxable year for  
13 2 consecutive years, beginning with the taxable year as certified by the department  
14 of commerce, an amount equal to 12.5 percent of the claimant's bona fide angel  
15 investment made directly in a qualified new business venture.

16 SECTION 3. 71.07 (5d) (b) 2. of the statutes is created to read:

17 71.07 (5d) (b) 2. For taxable years beginning after December 31, 2007, for the  
18 taxable year certified by the department of commerce, an amount equal to 25 percent  
19 of the claimant's bona fide angel investment made directly in a qualified new  
20 business venture.

21 SECTION 4. 71.07 (5d) (c) 2. of the statutes is amended to read:

22 71.07 (5d) (c) 2. The For taxable years beginning before January 1, 2008, the  
23 maximum amount of a claimant's investment that may be used as the basis for a  
24 credit under this subsection is \$2,000,000 for each investment made directly in a  
25 business certified under s. 560.205 (1).

7  
INJECT  
2-25AKB

*(3) qualifies  
that  
and determine the amount that qualifies*

1           **SECTION 5.** 560.205 (1) (intro.) of the statutes is amended to read:

2           560.205 (1) ANGEL INVESTMENT TAX CREDITS. (intro.) The department shall  
3           implement a program to certify businesses for purposes of s. 71.07 (5d). A business  
4           desiring certification shall submit an application to the department in each taxable  
5           year for which the business desires certification. The business shall specify in its  
6           application the investment amount it wishes to raise and the department may certify

7           the business to receive that amount for purposes of s. 71.07 (5d). Unless otherwise  
8           provided under the rules of the department, a business may be certified under this  
9           subsection, and may maintain such certification, only if the business satisfies all of  
10          the following conditions:

11          **SECTION 6.** 560.205 (1) (f) of the statutes is repealed and recreated to read:

12          560.205 (1) (f) It has the potential for increasing jobs in this state, increasing  
13          capital investment in this state, or both, and any of the following apply:

14           1. It is engaged in, or has committed to engage in, innovation in any of the  
15          following:

16           a. Manufacturing, biotechnology, *nanotechnology,* communications, agriculture, or technologies  
17          that improve operational performance, productivity, or efficiency while reducing  
18          inputs, energy consumption, waste, or pollution. *clean energy creation or storage technology*

19           b. Processing or assembling products, including medical devices,  
20          pharmaceuticals, computer software, computer hardware, semiconductors, any  
21          other innovative technology products, or other products that are produced using  
22          manufacturing methods that are enabled by applying proprietary technology.

23           c. Services that are enabled by applying proprietary technology.



*undertaking pre-commercialization activity related to proprietary technology that includes*

1 2. It is conducting research, developing a new product or business process,  
2 commercializing a new product, or developing or commercializing a service that is  
3 principally reliant on applying proprietary technology.

*change component*

4 **SECTION 7.** 560.205 (1) (g) of the statutes is renumbered 560.205 (1) (g) 1. and  
5 amended to read:

6 560.205 (1) (g) 1. It is not primarily engaged in real estate development,  
7 insurance, banking, lending, lobbying, political consulting, professional services  
8 provided by attorneys, accountants, business consultants, physicians, or health care  
9 consultants, wholesale or retail trade, leisure, hospitality, transportation, or  
10 construction, except construction of power production plants that derive energy from  
11 a renewable resource, as defined in s. 196.378 (1) (h).

12 **SECTION 8.** 560.205 (1) (g) 2. of the statutes is created to read:

13 560.205 (1) (g) 2. For purposes of this paragraph, an entity that is engaged in,  
14 or committed to be engaged in, an activity described in subd. 1., but that provides  
15 customers a product or service described in par. (f) as part of being engaged in that  
16 activity, is not considered to be primarily engaged in that activity and may be  
17 certified under this subsection.

18 **SECTION 9.** 560.205 (1) (k) of the statutes is amended to read:

19 560.205 (1) (k) ~~It~~ For taxable years beginning before January 1, 2008, it has  
20 not received more than \$1,000,000 in investments that have qualified for tax credits  
21 under s. 71.07 (5d).

*and before January 1, 2011,*

22 **SECTION 10.** 560.205 (1) (kn) of the statutes is created to read:

23 (kn) 560.205 (1) (kn) For taxable years beginning after December 31, 2007, it has  
24 not received more than \$4,000,000 in investments that have qualified for tax credits  
25 under s. 71.07 (5d), 71.28 (5b), and 71.47 (5b)

*71.55 (5b) and*

*INSERT 4-25*

1           **SECTION 11.** 560.205 (3) (d) of the statutes is amended to read:

2           560.205 (3) (d) *Rules.* The department of commerce, in consultation with the  
3 department of revenue, shall promulgate rules to administer this section. The rules  
4 shall further define "bona fide angel investment" for purposes of s. 71.07 (5d) (a) 1.  
5 The rules shall limit the aggregate amount of tax credits under s. 71.07 (5d) that may  
6 be claimed for investments in businesses certified under sub. (1) at \$3,000,000 per  
7 calendar year for calendar years beginning after December 31, 2004, and before  
8 January 1, 2008, \$5,500,000 per calendar year for calendar years beginning after  
9 December 31, 2007, and before January 1, 2011, and \$18,000,000 per calendar year  
10 for calendar years beginning after December 31, 2010, plus, for taxable years  
11 beginning after December 31, 2008, an additional \$500,000 for tax credits that may  
12 be claimed for investments in nanotechnology businesses certified under sub. (1).

13 The rules shall also limit the aggregate amount of the tax credits under ss. 71.07 (5b),  
14 71.28 (5b), and 71.47 (5b) that may be claimed for investments paid to fund managers  
15 certified under sub. (2) at \$3,500,000 per calendar year for calendar years beginning  
16 after December 31, 2004, and before January 1, 2008, \$6,000,000 per calendar year  
17 for calendar years beginning after December 31, 2007, and before January 1, 2011,  
18 and \$18,500,000 per calendar year for calendar years beginning after December 31,  
19 2010, plus, for taxable years beginning after December 31, 2008, an additional  
20 \$500,000 for tax credits that may be claimed for investments in nanotechnology  
21 businesses certified under sub. (1). The rules shall also provide that, for calendar

22 years beginning after December 31, 2007, no person may receive a credit under ss.  
23 71.07 (5b) and (5d), 71.28 (5b), or 71.47 (5b) unless the person's investment is kept  
24 in a certified business, or with a certified fund manager, for no less than 3 years.

25           **SECTION 12.** 560.205 (3) (e) of the statutes is created to read:

or mltch. III of ch. 76

1 560.205 (3) (e) *Transfer*. A person who is eligible to claim a credit under s. 71.07  
 2 (5b) and (5d), 71.28 (5b), or 71.47 (5b) may sell or otherwise transfer the credit to  
 3 another person who is subject to the taxes imposed under s. 71.02, 71.23, or 71.47,  
 4 if the person notifies the department of commerce and the department of revenue of  
 5 the transfer and submits with the notification a copy of the transfer documents. No  
 6 person may sell or otherwise transfer a credit as provided in this paragraph more  
 7 than once. The department may charge any person selling or otherwise transferring  
 8 a credit under this paragraph a fee equal to 1 percent of the credit amount sold or  
 9 transferred. The department shall deposit all fees collected under this paragraph in  
 10 the appropriation account under s. 20.143 (1) (gm).

**SECTION 9310. Initial applicability; Commerce.**

12 (1) EARLY STAGE SEED INVESTMENT CREDIT. The treatment of section 560.205 (1)  
 13 (f) of the statutes, the renumbering and amendment of section 560.205 (1) (g) of the  
 14 statutes, and the creation of section 560.205 (1) (g) 2, and (3) (e) of the statutes first  
 15 apply to taxable years beginning on January 1, 2012,

applies

(END)

(2)  
2009

receives prior authorization from  
the investment fund manager and  
the manager then

2009-2010 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU

LRB-1949/P1ins  
JK:kjf:md

Insert 2 - 6

1 SECTION 1. 71.07 (5b) (c) 1. of the statutes is amended to read:  
2 71.07 (5b) (c) 1. Except as provided in s. 73.03 (63), the maximum amount of  
3 the credits that may be claimed under this subsection and ss. 71.28 (5b) and, 71.47  
4 (5b), and 76.638 for all taxable years combined is \$52,500,000.

History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9, 10, 32; 1999 a. 150 s. 672; 1999 a. 198; 2001 a. 16, 109; 2003 a. 72, 99, 135, 183, 255, 267, 326; 2005 a. 25, 49, 72, 74, 97, 177, 254, 361, 387, 479, 483, 487; 2007 a. 11, 20, 96, 97, 100; s. 13.92 (2) (i).

Insert 2 - 25 A

5 SECTION 2. 71.28 (5b) (c) 1. of the statutes is amended to read:  
6 71.28 (5b) (c) 1. Except as provided in s. 73.03 (63), the maximum amount of  
7 the credits that may be claimed under this subsection and ss. 71.07 (5b) and, 71.47  
8 (5b), and 76.638 for all taxable years combined is \$52,500,000.

History: 1987 a. 312; 1987 a. 411 ss. 88, 130 to 139; 1987 a. 422; 1989 a. 31, 44, 56, 100, 336, 359; 1991 a. 39, 292; 1993 a. 16, 112, 232, 491; 1995 a. 2; 1995 a. 27 ss. 3399r to 3404c, 9116 (5); 1995 a. 209, 227; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9; 2001 a. 16; 2003 a. 72, 99, 135, 255, 267, 326; 2005 a. 25, 74, 97, 361, 387, 452, 479, 483, 487; 2007 a. 20, 96, 97, 100; s. 13.92 (2) (i).

9 SECTION 3. 71.47 (5b) (c) 1. of the statutes is amended to read:  
10 71.47 (5b) (c) 1. Except as provided in s. 73.03 (63), the maximum amount of  
11 the credits that may be claimed under this subsection and ss. 71.07 (5b) and, 71.28  
12 (5b), and 76.638 for all taxable years combined is \$52,500,000.

History: 1987 a. 312, 411, 422; 1989 a. 31, 44, 56, 100, 336, 359; 1991 a. 39, 292, 315; 1993 a. 16, 112; 1995 a. 27 ss. 3407m to 3412m, 9116 (5); 1995 a. 209, 227, 417; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9; 2001 a. 16; 2003 a. 72, 99, 135, 255, 267, 326; 2005 a. 25, 74, 97, 361, 387, 452, 479, 483, 487; 2007 a. 20, 96, 97, 100; s. 13.92 (2) (i).

Insert 4 - 25

13 SECTION 4. 560.205 (1) (L) of the statutes is created to read:  
14 560.205 (1) (L) For taxable years beginning after December 31, 2010, it has not  
15 received more than \$8,000,000 in investments that have qualified for tax credits  
16 under ss. 71.07 (5b) and (5d), 71.28 (5b), and 71.47 (5b), and 76.638

17 SECTION 5. 560.205 (2) of the statutes is amended to read:  
18 560.205 (2) EARLY STAGE SEED INVESTMENT TAX CREDITS. The department shall  
19 implement a program to certify investment fund managers for purposes of ss. 71.07

1 (5b), 71.28 (5b), and 71.47 (5b). An investment fund manager desiring certification  
2 shall submit an application to the department. The investment fund manager shall  
3 specify in the application the investment amount that the manager wishes to raise  
4 and the department may certify the manager and determine the amount that  
5 qualifies for purposes of ss. 71.07 (5b), 71.28 (5b), and 71.47 (5b). In determining  
6 whether to certify an investment fund manager, the department shall consider the  
7 investment fund manager's experience in managing venture capital funds, the past  
8 performance of investment funds managed by the applicant, the expected level of  
9 investment in the investment fund to be managed by the applicant, and any other  
10 relevant factors. The department may certify only investment fund managers that  
11 commit to consider placing investments in businesses certified under sub. (1).

History: 2003 a. 255; 2005 a. 49, 97; 2007 a. 20, 125.

, and 76.638

*Inserts*  
*2-25 B*

## 2007 ASSEMBLY BILL 817

February 19, 2008 – Introduced by Representatives STRACHOTA, SINICKI, JESKEWITZ, HAHN, MUSSER, ALBERS, BIES, LEMAHIEU, TOWNSEND, VOS and SHILLING, cosponsored by Senators SULLIVAN, TAYLOR, KEDZIE, DARLING and ROESSLER. Referred to Committee on Jobs and The Economy.

1 AN ACT *to renumber and amend* 71.07 (5d) (b); *to amend* 73.03 (63), 76.67 (2),  
2 560.205 (1) (k), 560.205 (2), 560.205 (3) (c) 1. and 560.205 (3) (d); and *to create*  
3 71.07 (5d) (b) 2., 76.637 and 560.275 (2m) of the statutes; **relating to:** the early  
4 stage seed and angel investment tax credits, the submission of budget  
5 information by the department of commerce, and allocating funding to the  
6 technology commercialization grant and loan program.

---

### *Analysis by the Legislative Reference Bureau*

Under current law, generally, a taxpayer may claim a credit against the taxpayer's income and franchise tax liability on certain amounts invested in new businesses under the early stage seed investment tax credit or the angel investment tax credit. This bill allows insurers to claim the early stage seed investment credits against the license fees imposed on insurance companies.

Under current law, the maximum amount of angel investments that a business may receive is \$1,000,000. This bill increases the maximum amount of angel investments that a business may receive to \$4,000,000.

Currently, the Department of Commerce (department) may generally award a technology commercialization grant or loan for the development or commercialization of a technologically innovative product, process, or service; to enhance a person's ability to obtain early stage capital from third parties; or to support certain entrepreneurial and technology transfer centers. Such grants and

**ASSEMBLY BILL 817**

loans are funded by the Wisconsin Development Fund (fund), which also funds several other economic development programs.

This bill instructs the department to prepare its budget request for the fund for the 2009-11 fiscal biennium as though the fund were appropriated an additional \$2.5 million for the 2007-09 fiscal biennium. The bill also directs the department to allocate \$5,000,000 from the fund in each fiscal biennium to technology commercialization grants and loans.

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

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

1           **SECTION 1.** 71.07 (5d) (b) of the statutes is renumbered 71.07 (5d) (b) (intro.)  
2 and amended to read:

3           71.07 (5d) (b) *Filing claims.* Subject to the limitations provided in this  
4 subsection and in s. 560.205, a claimant may claim as a credit against the tax  
5 imposed under s. 71.02 or 71.08, up to the amount of those taxes, the following:

6           1. For taxable years beginning before July 1, 2009, in each taxable year for 2  
7 consecutive years, beginning with the taxable year as certified by the department of  
8 commerce, an amount equal to 12.5 percent of the claimant's bona fide angel  
9 investment made directly in a qualified new business venture.

10           **SECTION 2.** 71.07 (5d) (b) 2. of the statutes is created to read:

11           71.07 (5d) (b) 2. For taxable years beginning after June 30, 2009, for the taxable  
12 year certified by the department of commerce, an amount equal to 25 percent of the  
13 claimant's bona fide angel investment made directly in a qualified new business  
14 venture.

15           **SECTION 3.** 73.03 (63) of the statutes, as created by 2007 Wisconsin Act 20, is  
16 amended to read:

INSERT  
2-25B



ASSEMBLY BILL 817

76.638

INSERT  
2-25-08

*[Handwritten initials]*

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

73.03 (63) Notwithstanding the amount limitations specified under ss. 71.07 (5b) (c) 1. and (5d) (c) 1., 71.28 (5b) (c) 1., 71.47 (5b) (c) 1., 76.637(3), and 560.205 (3) (d), in consultation with the department of commerce, to carry forward to subsequent taxable years unclaimed credit amounts of the early stage seed investment credits under ss. 71.07 (5b), 71.28 (5b), and 71.47 (5b), and 76.637 and the angel investment credit under s. 71.07 (5d). Annually, no later than July 1, the department of commerce shall submit to the department of revenue its recommendations for the carry forward of credit amounts as provided under this subsection.

SECTION 4. 76.637 of the statutes is created to read:

76.637 **Early stage seed investment credit.** (1) DEFINITIONS. In this section, "fund manager" means an investment fund manager certified under s. 560.205 (2).

(2) FILING CLAIMS. For taxable years beginning after June 30, 2009, subject to the limitations provided under this subsection and s. 560.205, an insurer may claim as a credit against the fees imposed under s. 76.60, 76.63, 76.65, 76.66, or 76.67, 25 percent of the insurer's investment paid to a fund manager that the fund manager invests in a business certified under s. 560.205 (1).

(3) LIMITATIONS. Except as provided in s. 73.03 (63), the maximum amount of the credits that may be claimed under this section and ss. 71.07 (5b), 71.28 (5b), and 71.47 (5b) for all taxable years combined is \$52,500,000.

(4) INVESTMENT BASIS. The Wisconsin adjusted basis of any investment for which a credit is claimed under sub. (2) shall be reduced by the amount of the credit that is offset against the fees imposed under s. 76.60, 76.63, 76.65, 76.66, or 76.67.

(5) CARRY-FORWARD. If the credit under sub. (2) is not entirely offset against the fees under s. 76.60, 76.63, 76.65, 76.66, or 76.67 otherwise due, the unused balance





**ASSEMBLY BILL 817**

**SECTION 4**

1 may be carried forward and credited against those fees for the following 15 years to  
2 the extent that it is not offset by those fees otherwise due in all the years between  
3 the year in which the expense was made and the year in which the carry-forward  
4 credit is claimed.

5 **SECTION 5.** 76.67 (2) of the statutes is amended to read:

6 76.67 (2) If any domestic insurer is licensed to transact insurance business in  
7 another state, this state may not require similar insurers domiciled in that other  
8 state to pay taxes greater in the aggregate than the aggregate amount of taxes that  
9 a domestic insurer is required to pay to that other state for the same year less the  
10 credits under ss. 76.635, 76.636, 76.637, and 76.655, except that the amount imposed  
11 shall not be less than the total of the amounts due under ss. 76.65 (2) and 601.93 and,  
12 if the insurer is subject to s. 76.60, 0.375% of its gross premiums, as calculated under  
13 s. 76.62, less offsets allowed under s. 646.51 (7) or under ss. 76.635, 76.636, 76.637,  
14 and 76.655 against that total, and except that the amount imposed shall not be less  
15 than the amount due under s. 601.93.

76.638

end of line 2-250

16 ~~SECTION 6.~~ 560.205 (1) (k) of the statutes is amended to read:

17 560.205 (1) (k) It has not received more than \$1,000,000 \$4,000,000 in  
18 investments that have qualified for tax credits under s. 71.07 (5d).

19 **SECTION 7.** 560.205 (2) of the statutes is amended to read:

20 560.205 (2) **EARLY STAGE SEED INVESTMENT TAX CREDITS.** The department shall  
21 implement a program to certify investment fund managers for purposes of ss. 71.07  
22 (5b), 71.28 (5b), ~~and 71.47 (5b), and 76.637.~~ An investment fund manager desiring  
23 certification shall submit an application to the department. In determining whether  
24 to certify an investment fund manager, the department shall consider the  
25 investment fund manager's experience in managing venture capital funds, the past

2

**ASSEMBLY BILL 817**

1 performance of investment funds managed by the applicant, the expected level of  
2 investment in the investment fund to be managed by the applicant, and any other  
3 relevant factors. The department may certify only investment fund managers that  
4 commit to consider placing investments in businesses certified under sub. (1).

5 **SECTION 8.** 560.205 (3) (c) 1. of the statutes is amended to read:

6 560.205 (3) (c) 1. The total amount of tax credits claimed under ss. 71.07 (5b)  
7 and (5d), 71.28 (5b), and 71.47 (5b), and 76.637 per taxable year.

8 **SECTION 9.** 560.205 (3) (d) of the statutes, as affected by 2007 Wisconsin Act 20,  
9 is amended to read:

10 560.205 (3) (d) *Rules.* The department of commerce, in consultation with the  
11 department of revenue, shall promulgate rules to administer this section. The rules  
12 shall further define "bona fide angel investment" for purposes of s. 71.07 (5d) (a) 1.  
13 The rules shall limit the aggregate amount of tax credits under s. 71.07 (5d) that may  
14 be claimed for investments in businesses certified under sub. (1) at \$3,000,000 per  
15 calendar year for calendar years beginning after December 31, 2004, and \$5,500,000  
16 per calendar year for calendar years beginning after December 31, 2007. The rules  
17 shall also limit the aggregate amount of the tax credits under ss. 71.07 (5b), 71.28  
18 (5b), and 71.47 (5b), and 76.637 that may be claimed for investments paid to fund  
19 managers certified under sub. (2) at \$3,500,000 per calendar year for calendar years  
20 beginning after December 31, 2004, and \$6,000,000 per calendar year for calendar  
21 years beginning after December 31, 2007. The rules shall also provide that, for  
22 calendar years beginning after December 31, 2007, no person may receive a credit  
23 under ss. s. 71.07 (5b) and (5d), 71.28 (5b), or 71.47 (5b), or 76.637 unless the person's  
24 investment is kept in a certified business, or with a certified fund manager, for no less  
25 than 3 years.

**ASSEMBLY BILL 817****SECTION 10**

1           **SECTION 10.** 560.275 (2m) of the statutes is created to read.

2           560.275 **(2m)** ALLOCATION FROM WISCONSIN DEVELOPMENT FUND. Beginning on  
3 July 1, 2009, in each fiscal biennium, the department shall allocate \$5,000,000 from  
4 the appropriation under s. 20.143 (1) (c) to grants and loans under this section.

5           **SECTION 11. Nonstatutory provisions.**

6           (1)     BUDGET INFORMATION; TECHNOLOGY COMMERCIALIZATION FUNDING.  
7 Notwithstanding section 16.42 (1) (e) of the statutes, in submitting information  
8 under section 16.42 of the statutes for purposes of the 2009-11 biennial budget bill,  
9 the department of commerce shall submit a dollar amount for the appropriation  
10 under section 20.143 (1) (c) of the statutes as though the amount appropriated to the  
11 department of commerce in fiscal year 2007-08 under section 20.143 (1) (c) of the  
12 statutes were \$8,098,400 and in fiscal year 2008-09 under section 20.143 (1) (c) of  
13 the statutes were \$8,598,000.

14

(END)



P3  
RM

DOA:.....Weidner, BAB - Angel investment tax credit changes

FOR 2009-11 BUDGET -- NOT READY FOR INTRODUCTION

in 2-6-09

1 AN ACT ...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*

**TAXATION**

**INCOME TAXATION**

Under current law, a person may claim as credit against the person's income or franchise tax liability, in each of two consecutive taxable years, 12.5 percent of the person's investment in a qualified new business venture, as determined by Commerce. The maximum amount of a person's investment that can be used as the basis for the credit is \$2,000,000 and a business may receive no more than \$1,000,000 in investments that qualify for the credit.

Under this bill, a person may claim an income and franchise tax credit equal to 25 percent of the person's investment in a qualified new business venture. The bill allows a person to use more than \$2,000,000 in investments as the basis for the credit and to transfer the amount of any unused credit to another taxpayer.

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

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

2 SECTION 1. 20.143 (1) (gm) of the statutes is amended to read:

1           20.143 (1) (gm) *Wisconsin development fund, administration of grants and*  
2 *loans.* All moneys received from origination fees under s. 560.68 (3), and from  
3 transfer fees under s. 560.205 (3) (e), for administering the programs under subch.  
4 V of ch. 560 and for the costs of underwriting grants and loans awarded under subch.  
5 V of ch. 560.

6           **SECTION 2.** 71.07 (5b) (c) 1. of the statutes is amended to read:

7           71.07 (5b) (c) 1. Except as provided in s. 73.03 (63), the maximum amount of  
8 the credits that may be claimed under this subsection and ss. 71.28 (5b) ~~and~~, 71.47  
9 (5b), and 76.638 for all taxable years combined is \$52,500,000.

10          **SECTION 3.** 71.07 (5d) (b) of the statutes is renumbered 71.07 (5d) (b) (intro.)  
11 and amended to read:

12          71.07 (5d) (b) *Filing claims.* (intro.) Subject to the limitations provided in this  
13 subsection and in s. 560.205, a claimant may claim as a credit against the tax  
14 imposed under s. 71.02 or 71.08, up to the amount of those taxes, the following:

15          1. For taxable years beginning before January 1, 2008, in each taxable year for  
16 2 consecutive years, beginning with the taxable year as certified by the department  
17 of commerce, an amount equal to 12.5 percent of the claimant's bona fide angel  
18 investment made directly in a qualified new business venture.

19          **SECTION 4.** 71.07 (5d) (b) 2. of the statutes is created to read:

20          71.07 (5d) (b) 2. For taxable years beginning after December 31, 2007, for the  
21 taxable year certified by the department of commerce, an amount equal to 25 percent  
22 of the claimant's bona fide angel investment made directly in a qualified new  
23 business venture.

24          **SECTION 5.** 71.07 (5d) (c) 2. of the statutes is amended to read:

1           71.07 (5d) (c) 2. The For taxable years beginning before January 1, 2008, the  
2           maximum amount of a claimant's investment that may be used as the basis for a  
3           credit under this subsection is \$2,000,000 for each investment made directly in a  
4           business certified under s. 560.205 (1).

5           **SECTION 6.** 71.28 (5b) (c) 1. of the statutes is amended to read:

6           71.28 (5b) (c) 1. Except as provided in s. 73.03 (63), the maximum amount of  
7           the credits that may be claimed under this subsection and ss. 71.07 (5b) and, 71.47  
8           (5b), and 76.638 for all taxable years combined is \$52,500,000.

9           **SECTION 7.** 71.47 (5b) (c) 1. of the statutes is amended to read:

10          71.47 (5b) (c) 1. Except as provided in s. 73.03 (63), the maximum amount of  
11          the credits that may be claimed under this subsection and ss. 71.07 (5b) and, 71.28  
12          (5b), and 76.638 for all taxable years combined is \$52,500,000.

13          **SECTION 8.** 73.03 (63) of the statutes is amended to read:

14          73.03 (63) Notwithstanding the amount limitations specified under ss. 71.07  
15          (5b) (c) 1. and (5d) (c) 1., 71.28 (5b) (c) 1., 71.47 (5b) (c) 1., 76.638 (3), and 560.205 (3)  
16          (d), in consultation with the department of commerce, to carry forward to subsequent  
17          taxable years unclaimed credit amounts of the early stage seed investment credits  
18          under ss. 71.07 (5b), 71.28 (5b), and 71.47 (5b), and 76.638 and the angel investment  
19          credit under s. 71.07 (5d). Annually, no later than July 1, the department of  
20          commerce shall submit to the department of revenue its recommendations for the  
21          carry forward of credit amounts as provided under this subsection.

22          **SECTION 9.** 76.638 of the statutes is created to read:

23          **76.638 Early stage seed investment credit.** (1) DEFINITIONS. In this  
24          section, "fund manager" means an investment fund manager certified under s.  
25          560.205 (2).

December 31, 2008

1 (2) FILING CLAIMS. For taxable years beginning after ~~June 30, 2009~~ subject to  
 2 the limitations provided under this subsection and s. 560.205, an insurer may claim  
 3 as a credit against the fees imposed under s. 76.60, 76.63, 76.65, 76.66, or 76.67, 25  
 4 percent of the insurer's investment paid to a fund manager that the fund manager  
 5 invests in a business certified under s. 560.205 (1).

6 (3) LIMITATIONS. Except as provided in s. 73.03 (63), the maximum amount of  
 7 the credits that may be claimed under this section and ss. 71.07 (5b), 71.28 (5b), and  
 8 71.47 (5b) for all taxable years combined is \$52,500,000.

9 (4) INVESTMENT BASIS. The Wisconsin adjusted basis of any investment for  
 10 which a credit is claimed under sub. (2) shall be reduced by the amount of the credit  
 11 that is offset against the fees imposed under s. 76.60, 76.63, 76.65, 76.66, or 76.67.

12 (5) CARRY-FORWARD. If the credit under sub. (2) is not entirely offset against the  
 13 fees under s. 76.60, 76.63, 76.65, 76.66, or 76.67 otherwise due, the unused balance  
 14 may be carried forward and credited against those fees for the following 15 years to  
 15 the extent that it is not offset by those fees otherwise due in all the years between  
 16 the year in which the expense was made and the year in which the carry-forward  
 17 credit is claimed.

18 SECTION 10. 76.67 (2) of the statutes is amended to read:

19 76.67 (2) If any domestic insurer is licensed to transact insurance business in  
 20 another state, this state may not require similar insurers domiciled in that other  
 21 state to pay taxes greater in the aggregate than the aggregate amount of taxes that  
 22 a domestic insurer is required to pay to that other state for the same year less the  
 23 credits under ss. 76.635, 76.636, 76.638, and 76.655, except that the amount imposed  
 24 shall not be less than the total of the amounts due under ss. 76.65 (2) and 601.93 and,  
 25 if the insurer is subject to s. 76.60, 0.375% of its gross premiums, as calculated under

1 s. 76.62, less offsets allowed under s. 646.51 (7) or under ss. 76.635, 76.636, 76.638,  
2 and 76.655 against that total, and except that the amount imposed shall not be less  
3 than the amount due under s. 601.93.

4 **SECTION 11.** 560.205 (1) (intro.) of the statutes is amended to read:

5 560.205 (1) ANGEL INVESTMENT TAX CREDITS. (intro.) The department shall  
6 implement a program to certify businesses for purposes of s. 71.07 (5d). A business  
7 desiring certification shall submit an application to the department in each taxable  
8 year for which the business desires certification. The business shall specify in its  
9 application the investment amount it wishes to raise and the department may certify  
10 the business and determine the amount that qualifies for purposes of s. 71.07 (5d).

11 Unless otherwise provided under the rules of the department, a business may be  
12 certified under this subsection, and may maintain such certification, only if the  
13 business satisfies all of the following conditions:

14 **SECTION 12.** 560.205 (1) (f) of the statutes is repealed and recreated to read:

15 560.205 (1) (f) It has the potential for increasing jobs in this state, increasing  
16 capital investment in this state, or both, and any of the following apply:

17 1. It is engaged in, or has committed to engage in, innovation in any of the  
18 following:

19 a. Manufacturing, biotechnology, nanotechnology, communications,  
20 agriculture, or clean energy creation or storage technology.

21 b. Processing or assembling products, including medical devices,  
22 pharmaceuticals, computer software, computer hardware, semiconductors, any  
23 other innovative technology products, or other products that are produced using  
24 manufacturing methods that are enabled by applying proprietary technology.

25 c. Services that are enabled by applying proprietary technology.



1           2. It is undertaking precommercialization activity related to proprietary  
2 technology that includes conducting research, developing a new product or business  
3 process, or developing a service that is principally reliant on applying proprietary  
4 technology.

5           **SECTION 13.** 560.205 (1) (g) of the statutes is amended to read:

6           560.205 (1) (g) It is not primarily engaged in real estate development,  
7 insurance, banking, lending, lobbying, political consulting, professional services  
8 provided by attorneys, accountants, business consultants, physicians, or health care  
9 consultants, wholesale or retail trade, leisure, hospitality, transportation, or  
10 construction, except construction of power production plants that derive energy from  
11 a renewable resource, as defined in s. 196.378 (1) (h).

12           **SECTION 14.** 560.205 (1) (k) of the statutes is amended to read:

13           560.205 (1) (k) ~~It~~ For taxable years beginning before January 1, 2008, it has  
14 not received more than \$1,000,000 in investments that have qualified for tax credits  
15 under s. 71.07 (5d).

16           **SECTION 15.** 560.205 (1) (kn) of the statutes is created to read:

17           560.205 (1) (kn) For taxable years beginning after December 31, 2007, and  
18 before January 1, 2011, it has not received more than \$4,000,000 in investments that  
19 have qualified for tax credits under ss. 71.07 (5b) and (5d), 71.28 (5b), and 71.47 (5b).

20           **SECTION 16.** 560.205 (1) (L) of the statutes is created to read:

21           560.205 (1) (L) For taxable years beginning after December 31, 2010, it has not  
22 received more than \$8,000,000 in investments that have qualified for tax credits  
23 under ss. 71.07 (5b) and (5d), 71.28 (5b), 71.47 (5b), and 76.638.

24           **SECTION 17.** 560.205 (2) of the statutes is amended to read:

✓  
and 76.638

1           560.205 (2) EARLY STAGE SEED INVESTMENT TAX CREDITS. The department shall  
2 implement a program to certify investment fund managers for purposes of ss. 71.07  
3 (5b), 71.28 (5b), ~~and~~ 71.47 (5b). An investment fund manager desiring certification  
4 shall submit an application to the department. The investment fund manager shall  
5 specify in the application the investment amount that the manager wishes to raise  
6 and the department may certify the manager and determine the amount that  
7 qualifies for purposes of ss. 71.07 (5b), 71.28 (5b), and 71.47 (5b). In determining  
8 whether to certify an investment fund manager, the department shall consider the  
9 investment fund manager's experience in managing venture capital funds, the past  
10 performance of investment funds managed by the applicant, the expected level of  
11 investment in the investment fund to be managed by the applicant, and any other  
12 relevant factors. The department may certify only investment fund managers that  
13 commit to consider placing investments in businesses certified under sub. (1).

14           **SECTION 18.** 560.205 (3) (d) of the statutes is amended to read:

15           560.205 (3) (d) *Rules.* The department of commerce, in consultation with the  
16 department of revenue, shall promulgate rules to administer this section. The rules  
17 shall further define "bona fide angel investment" for purposes of s. 71.07 (5d) (a) 1.  
18 The rules shall limit the aggregate amount of tax credits under s. 71.07 (5d) that may  
19 be claimed for investments in businesses certified under sub. (1) at \$3,000,000 per  
20 calendar year for calendar years beginning after December 31, 2004, and before  
21 January 1, 2008, \$5,500,000 per calendar year for calendar years beginning after  
22 December 31, 2007, and before January 1, 2011, and \$18,000,000 per calendar year  
23 for calendar years beginning after December 31, 2010. The rules shall also limit the  
24 aggregate amount of the tax credits under ss. 71.07 (5b), 71.28 (5b), ~~and~~ 71.47 (5b)  
25 that may be claimed for investments paid to fund managers certified under sub. (2)

and 76.638

1 at \$3,500,000 per calendar year for calendar years beginning after December 31,  
2 2004, and before January 1, 2008, \$6,000,000 per calendar year for calendar years  
3 beginning after December 31, 2007, and before January 1, 2011, and \$18,500,000 per  
4 calendar year for calendar years beginning after December 31, 2010. The rules shall  
5 also provide that, for calendar years beginning after December 31, 2007, no person  
6 may receive a credit under ss. 71.07 (5b) and (5d), 71.28 (5b), ~~or~~ 71.47 (5b) unless the  
7 person's investment is kept in a certified business, or with a certified fund manager,  
8 for no less than 3 years.

9 **SECTION 19.** 560.205 (3) (e) of the statutes is created to read: <sup>or 76.638</sup>

10 560.205 (3) (e) *Transfer*. A person who is eligible to claim a credit under s. 71.07  
11 (5b), 71.28 (5b), <sup>or</sup> 71.47 (5b) may sell or otherwise transfer the credit to another  
12 person who is subject to the taxes imposed under s. 71.02, 71.23, <sup>or</sup> 71.47, or subch. III  
13 of ch. 76, if the person receives prior authorization from the investment fund  
14 manager and the manager then notifies the department of commerce and the  
15 department of revenue of the transfer and submits with the notification a copy of the  
16 transfer documents. No person may sell or otherwise transfer a credit as provided  
17 in this paragraph more than once. The department may charge any person selling  
18 or otherwise transferring a credit under this paragraph a fee equal to 1 percent of  
19 the credit amount sold or transferred. The department shall deposit all fees collected  
20 under this paragraph in the appropriation account under s. 20.143 (1) (gm).

21 **SECTION 9310. Initial applicability; Commerce.**

22 (1) EARLY STAGE SEED INVESTMENT CREDIT. The treatment of section 560.205 (1)  
23 (f) and (g), (2), and (3) (e) of the statutes first applies to taxable years beginning on  
24 January 1, 2009.

25 (END)

**Sundberg, Christopher**

---

**From:** Kuczenski, Tracy  
**Sent:** Monday, February 09, 2009 4:24 PM  
**To:** Hanaman, Cathlene; Kreye, Joseph; Sundberg, Christopher  
**Subject:** RE: BAB changes

I don't believe any of these changes are mine, but would be happy to make them if need be.

*Tracy K. Kuczenski*  
*Legislative Attorney*  
*Wisconsin Legislative Reference Bureau*  
*(608) 266-9867*  
[Tracy.Kuczenski@legis.wisconsin.gov](mailto:Tracy.Kuczenski@legis.wisconsin.gov)

---

**From:** Weidner, Jenna M - DOA [mailto:Jenna.Weidner@wisconsin.gov]  
**Sent:** Monday, February 09, 2009 4:19 PM  
**To:** Hanaman, Cathlene; Kreye, Joseph; Kuczenski, Tracy  
**Cc:** Kraus, Jennifer - DOA; Pawasarat, Jane - DOA  
**Subject:** BAB changes  
**Importance:** High

We have some substantive changes for the budget adjustment bill:

1. Please remove the funding provided for WMEP (Wisconsin Manufacturing Extension Partnership) from the bill.
2. With the \$200,000 provided to the Tenant Resource Center, please add language to insure that the grant is used for statewide activities.
3. Please reinsert the \$500k grant for Nanotechnology under the Angel and Early Stage Seed investment credits, just as we had it in earlier drafts.

1949/P1 p 5 l. 9-12?

Please call me with any questions.  
Thanks,  
Jenna

**Jenna Weidner**  
Executive Policy and Budget Analyst  
Wisconsin State Budget Office, DOA-DEBF  
101 East Wilson Street  
Madison, WI 53702  
(608)266-7329  
[jenna.weidner@wisconsin.gov](mailto:jenna.weidner@wisconsin.gov)