



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2005 Wisconsin Act 97
[2005 Senate Bill 290]

**Early Stage Seed Investment and
Angel Investment Credits**

2005 Wisconsin Act 97 makes certain technical changes to the early stage seed investment credit to simplify the administration of the credit. Under Act 97, the amount of the credit that may be claimed by a partner, a member of a limited liability company, or a shareholder of a tax-option corporation is based on the total amount invested by the entity to which the partner, member, or shareholder belongs and determined by the entity's organizational documents. (Currently, a person may claim an early stage seed investment credit in an amount equal to 25% of the person's initial investment paid to a fund manager that the fund manager invests in a business that is certified by the Department of Commerce (DOC).)

The Act also makes certain technical changes to the angel investment credit to simplify the administration of the credit. Under the Act, an individual may claim angel investment credit in each taxable year for two years, beginning with the taxable year certified by the DOC. In addition, partnerships and limited liability companies may not claim the credit, but, instead, compute the amount of the credit that each of the partners or members may claim, based on the total amount invested by the partnership or company. Partners and members of limited liability companies may claim the credit in proportion to their ownership interest or as specially allocated in the organizational documents of the partnership or limited liability company. (Currently, an individual may claim an income tax credit in each taxable year for two years, beginning with the taxable year in which the individual's initial investment is made, in an amount equal to 12.5% of the individual's bona fide angel investment in a new business venture, as determined by DOC.)

Effective Date: The Act takes effect on January 20, 2006, and first applies to taxable years beginning January 1, 2005.

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August 10, 2006

LR:ksm

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature's Web site at: <http://www.legis.state.wi.us/>.