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# Wisconsin Legislative Council

## ACT MEMO

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December 13, 2019

**2019 Wisconsin Act 61**  
[2019 Senate Bill 208]

**Early Stage Investment Seed  
Credit for Insurance Companies**

### BACKGROUND

Under Wisconsin law, individuals, corporations, and out-of-state insurance companies may claim the early stage seed investment credit to offset income taxes paid to the state. This credit is equal to 25 percent of the claimant's investment paid in the tax year to a certified fund manager that the fund manager invests in a qualified new business venture certified by the Wisconsin Economic Development Corporation.

For individuals and corporations who derive the credit through a partnership, limited liability company (LLC), or tax-option corporation, the computation of the 25 percent limitation is determined at the entity level rather than the claimant level and may be allocated among the claimants who make investments in the manner set forth in the entity's organizational documents. Furthermore, partnerships, LLCs, and tax-option corporations are themselves not eligible to claim the credit under Wisconsin law. Instead, a partnership, LLC, or tax-option corporation must compute the amount of credit that each of its partners, members, or shareholders may claim and provide that information to each of them. Their partners, members, and shareholders may then claim the credit in proportion to their ownership interest or as specially allocated in their organizational documents.

Under prior law, these pass-through credit provisions only applied to income tax paid by individuals and corporations, not out-of-state insurance companies.

### 2019 WISCONSIN ACT 61

The act permits out-of-state insurance companies who are eligible to claim the early stage seed investment credit and who derive the credit through a partnership, LLC, or tax-option corporation to allocate the credits in the same fashion as individuals and corporations who derived the credit through a partnership, LLC, or tax-option corporation.

**Effective date:** November 27, 2019

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