

Bill would enable transfer of QNBV angel investor tax credits

Posted on Tuesday, Dec 12, 2023

GOP lawmakers want to allow angel investors to transfer tax credits earned through investments in certain startups.

Rep. Robert Wittke of Racine and Sen. Dan Feyen of Fond du Lac recently began circulating legislation in a co-sponsorship memo, which touts the success of the state's Qualified New Business Venture program. This program of the Wisconsin Economic Development Corporation aims to encourage more early-stage investment in the state.

It offers tax credits to eligible angel and venture fund investors making cash equity investments in qualifying startups. Investors that meet the program's eligibility requirements can receive a state income tax credit equal to 25% of the investment made in the QNBV-certified business, the memo shows.

"This credit helps incent startup investment by alleviating some of the risk associated with this type of venture," the lawmakers wrote in the memo. "The investments encouraged by this program provide the capital necessary for emerging growth companies to develop new products and technologies, move products to market, and provide high-quality jobs in Wisconsin."

But while the early stage seed investment tax credit available to venture capital firms can be sold or otherwise transferred, the angel investment tax credit cannot under current state law. Under the bill, the tax credit for angel investors could be transferred to someone subject to state individual income tax if the recipient notifies WEDC and the state Department of Revenue and provides documentation.

As with the early stage seed investment tax credit, a person couldn't sell or transfer a credit more than once in a 12-month period, and WEDC could charge a fee of up to 5% of the credit amount, according to the Legislative Reference Bureau.

Joe Kremer, director of the Wisconsin Technology Council's Investor Networks, said the organization has been advocating for this change as an enhancement to the

QNBV program. In an interview yesterday, he said the program has been “wildly successful” for improving early-stage investment.

“It just kind of makes sense to now go outside of the borders and bring more dollars in from out-of-state,” he told WisBusiness.com.

When the QNBV program was first created about two decades ago, Kremer said it gave the Tech Council another talking point for its advocacy efforts around the state’s investment ecosystem. If the proposed change makes it past the Legislature and Gov. Tony Evers, the group will be in a better position to tout Wisconsin opportunities to angel investors from outside of the state, he said.

“I think it’s going to have very positive implications of bringing more dollars in, and it’s also going to give us a nice ability to market our state to out-of-staters,” he said.

Kremer added the Tech Council’s support of the bill is conditional on it making no changes to the definition of who could qualify for the tax credit.

The co-sponsorship deadline is Thursday.

See the memo:

<https://www.wisconsinlobbyists.com/resources/Co-Sponsorship%20Memos/12.8.2023/LRB-1082%20modifying%20the%20certification%20criteria%20to%20be%20a%20qualified%20new%20business%20venture%20Memo.pdf>

See more on the QNBV program:

<https://wedc.org/programs-and-resources/qualified-new-business-venture/>

-By Alex Moe