

**DAN FEYEN**

**STATE SENATOR**

18th Senate District  
(608) 266-5300  
Sen.Feyen@legis.wi.gov

PO Box 7882, Madison, WI 53707-7882  
<http://legis.wisconsin.gov/senate/18/feyen>

To: The Assembly Committee on Jobs and the Economy  
From: Sen. Dan Feyen  
Re: Assembly Bill 804

Hello, Chairman Wittke and committee members. Thank you for taking the time today to hear testimony on Assembly Bill 804.

A strong startup ecosystem in Wisconsin is integral to our state's economic development and ability to compete with other states in attracting more startup businesses and workers.

WEDC's Qualified New Business Venture Program supports a strong startup ecosystem by incentivizing investment in technology based startup businesses through a tax credit given to eligible angel and venture fund investors who invest in qualified early-stage businesses. The tax credit is 25% of the value of the investment made in the certified company and it helps alleviate some of the risk associated with these early stage investments.

Currently, the angel tax credit only incentivizes in-state investors. However, there is a lot of angel venture capital available outside of Wisconsin and we want to attract more of this money to our state. Attracting more out of state investors to invest in Wisconsin companies is a great way to continue to spur economic development within our borders.

This bill would make a change to the QNBV program to allow qualified out of state angel investors to sell or otherwise transfer their tax credit to an entity or individual with a Wisconsin tax liability. The QNBV Program currently allows up to \$30M in tax credits to be claimed in one calendar year and this bill does not alter that amount nor create a new tax credit program. It would merely allow angel investors to sell or transfer their tax credit. It is important to note that this type of transfer is already allowed for venture investors. This law change will help attract more out of state capital as it will create an incentive for angel investors that don't have a Wisconsin tax liability.

WEDC anticipates that usage of the angel credit could increase by \$4M or more with this bill which means an anticipated \$16M or more in Wisconsin investment. This is a noticeable increase to in-state investment with minimal cost to the state.

There is one simple amendment to this bill that makes a change to require approval from WEDC before a tax credit transfer is initiated. It also requires the WEDC to notify the DOR of this approval. Other tax credit transfers in Wisconsin have this approval requirement and DOR indicated it would be easier to verify these tax credit transfers if there was an approval requirement.

Thank you again for your time and consideration. I look forward to answering any questions you may have.

# Mike Kuglitsch

---

STATE REPRESENTATIVE • 84<sup>TH</sup> ASSEMBLY DISTRICT

DATE: January 19, 2022  
RE: **Testimony for Assembly Bill 804**  
TO: Assembly Committee on Jobs and the Economy  
FROM: Representative Mike Kuglitsch  
SUBJECT: Transferring Angel Investment Tax Credits

---

Thank you Mr. Chair and Members of the Committee for your consideration of Assembly Bill 804, which allows an angel investment tax credit to be sold or transferred.

The Wisconsin Economic Development Corporation's Qualified New Business Venture (QNBV) Program has been incredibly successful in incentivizing investment in Wisconsin startups, yet common-sense changes can make this program even stronger.

AB 804 allows for out of state Angel investors who invest in a Qualified New Business Ventures company to transfer their tax credit to an entity or individual with a Wisconsin tax liability. Out of state Angel Investors are discouraged from investing in Wisconsin startups because the tax credit incentives are currently not transferable.

Startups are the number one creator of new jobs, but Wisconsin's startup ecosystem ranks below peer states in many of the measures for new business formation, venture capital investment, and startup activity. The goal of the QNBV Program is to incent equity investment in technology-based businesses in the state of Wisconsin.

The program provides tax credits to eligible Angel and Venture Fund investors who make cash equity investments in qualified early-stage businesses. If all eligibility requirements are met, investors receive a Wisconsin income tax credit equal to 25 percent of the value of the investment made in the certified company. This credit helps incent startup investment by alleviating some of the risk associated with this type of venture. 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.

Credits are capped at \$30 million per calendar year and the maximum amount any single venture can acquire is \$12 million. Of the \$30 million allocated by Wisconsin, \$20 million has been dispersed through the tax credit, which leaves enough capacity to absorb the estimated increase in credits applied for should AB 804 be approved.

The bill is supported by the Wisconsin Technology Council and the Wisconsin Startup Coalition and by passing this common sense reform, the QNBV program can continue to support innovative Wisconsin companies, create new jobs, and grow the Wisconsin economy.

An amendment has been introduced at the request of the Department of Revenue and Wisconsin Economic Development Corporation makes a technical correction that requires prior approval from WEDC and DOR for transfers eliminating the potential that more than one taxpayer could use the same credit.

I ask for your support of AB 804.



State of Wisconsin  
2021 - 2022 LEGISLATURE

LRBa1155/1  
MPG:skw

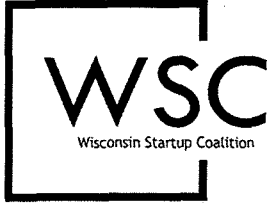
ASSEMBLY AMENDMENT ,  
TO ASSEMBLY BILL 804

1 At the locations indicated, amend the bill as follows:

2 1. Page 2, line 11: delete "transfer and" and substitute "transfer, the person".

3 2. Page 2, line 12: delete "documents" and substitute "documents, and the  
4 corporation approves the transfer and notifies the department of revenue of that  
5 approval".

6 (END)



*Lydia Zeller  
Board Chair, Wisconsin Startup Coalition  
Testimony AB 804  
January 19, 2022*

Members of the Committee: My name is Lydia Zeller. I am Board President of the Wisconsin Startup Coalition. And until a few weeks ago I was President & CEO of Kiio, a Madison based digital healthcare startup. Thank you for taking the time to review my comments.

I am writing in support of AB 804, whose purpose is to allow out of state angel investors who invest in approved Wisconsin startups to transfer the resulting Wisconsin QNBV tax credits.

Raising capital is critical to starting, growing, and scaling a company. As an entrepreneur and CEO, I lived that daily. The QNBV tax program – available to approved Wisconsin startups and ably managed by the WEDC – is an extremely valuable tool in an entrepreneurs' toolkit to facilitate early-stage fundraising. Angel and early-stage venture investors in Wisconsin and other states are very aware of state tax credits to incent investment, and I used this carrot in every early-stage investor pitch I made for Kiio. It is a meaningful credit, and one that investors care about, calculate, and factor into investment decisions.

Unfortunately, under current law, while early-stage venture funds may transfer their tax credits, angel investors and angel networks may not. This means that out-of-state angels are less likely to invest in Wisconsin companies. I experienced that negative effect at Kiio, where several prominent angels and angel networks either passed on a Kiio investment or invested less. That became critical later, when the lack of national breadth in our investor based made later fundraising more difficult.

I ask that you support this bill for several reasons – all based on the fact that increasing the amount of out-of-state angel investment in Wisconsin startups is a good thing for Wisconsin.

1. Supporting startups is incredibly important in terms of creating net new jobs and economic opportunities in Wisconsin. For nine years, from 2012 through 2021, Kiio provided high-paying jobs in the growing field of digital healthcare. In 2020-2021 alone, we grew from 13 to 25. These salaries not only pay Wisconsin income and property taxes but are spent in our communities supporting other Wisconsin businesses.
2. Wisconsin's startup ecosystem is developing but we lag not only behind the coasts but also behind our Midwestern peers in venture activity. For example, Minnesota startups benefit from nearly six times more venture activity annually than our Wisconsin startups.



*Peter Welch  
Co-Founder, Wisconsin Startup Coalition  
Testimony AB 804  
January 19, 2022*

Chairperson Wittke and Members of the Committee,

Thank you for taking the time to hear testimony on AB 804. I am Peter Welch, one of the co-founders of the Wisconsin Startup Coalition. WSC is a non-profit, non-partisan organization created in 2020 to advocate the Wisconsin early-stage startup ecosystem. We have over 100 members from across the state; mostly startup founders, but also investors, universities, and other stakeholders. Our members are busy inventing the future today, so you are stuck with me.

AB 804 is a commonsense improvement to an already successful program. The Qualified New Business Venture program with its 25% tax credit for qualified investors has become a key part of deals cut between Wisconsin Startups and investors.

Unfortunately, the credit is unavailable if you are an out of state angel investor, effectively disincentivizing investment from across the country into Wisconsin companies.

Our members shared numerous stories of struggling to find out of state investors, or worse, of interested investors who walked away from a deal once they learned the tax credit wouldn't apply to them. These are missed opportunities and increase the risk that a startup may relocated outside of Wisconsin to find early state funding.

AB 804 will likely increase out of state investment in Wisconsin startups. WEDC's fiscal note indicated that they would expect to see a \$4m increase use of the credit, meaning an additional \$16m worth of investment into Wisconsin companies.

This bill doesn't impact the \$30m cap on the program (which we've never hit), and the credit due to the out of state investor can only be sold or transferred to someone with Wisconsin tax liability.

I'll end by previewing a report that WSC is going to be releasing later this month. This report shows that Wisconsin has a normal rate of business deaths, but a below average rate of business births. Startups are the number one creator of new jobs. If we want to support a vibrant economy in Wisconsin, we need to support startups throughout their growth, but especially right as they are getting going. This bill will help more startups get more funding and I encourage your support. Thank you.

# THE WISCONSIN STARTUP COALITION

## WISCONSIN LAGS BEHIND OTHER STATES IN SUPPORTING STARTUP FOUNDERS WHEN THEY NEED THE MOST HELP

The Wisconsin Startup Coalition will proactively advocate to policy makers on behalf of entrepreneurs to improve the early-stage ecosystem, accelerating the process that takes innovative ideas and empowers them to become Wisconsin businesses.

JOIN TODAY

WISTARTUP.ORG

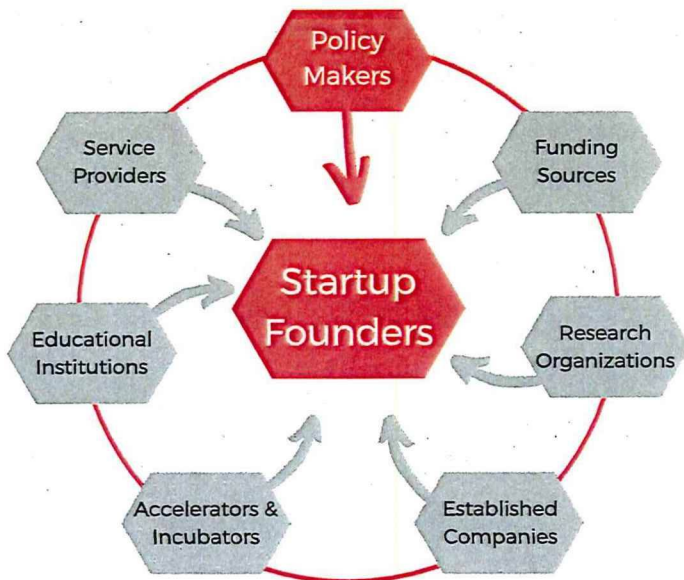
### VISION

**Double the number of annual first fundings in Wisconsin in the next 5 years**

### ADVOCACY PLATFORM

- **Incentivize more early stage investment** by cutting red tape, improving current programs, and supporting additional state support
- **Improve Tech Transfer** out of our universities by supporting academic entrepreneurs
- **Proactively grow tech workforce** with relocation incentive programs and investment in re-skilling
- **Invest in K-16 programming** to encourage entrepreneurship in traditionally underrepresented populations (especially BIPOC)

#### *The Innovation Ecosystem*



### MAKE CHANGE: JOIN THE COALITION

- **Advocate** at annual Legislative Day
- **Engage** with policy-makers
- **Learn and Connect** at Quarterly Education & Networking Events
- **Stay Informed** with Advocacy Alerts
- **Grow** ability to navigate regulations

#### CONTACTS

**Matt Cordio**

Technology Entrepreneur &  
Ecosystem Builder  
[matt@skillpipeline.com](mailto:matt@skillpipeline.com)

**Peter Welch**

Lobbyist & non-profit executive  
[peter@thwelchgroup.org](mailto:peter@thwelchgroup.org)