

Governor Doyle Proposes Two Initiatives to Spur Investment New Ventures and Research

On January 7, 2008, Wisconsin Governor Jim Doyle announced two new initiatives designed to promote new business start-ups and investments in research.

Accelerate Wisconsin is designed to encourage business start-ups and expand angel and venture capital investment by providing funding and tax incentives to support investment in new Wisconsin businesses. The initiative is similar to the legislative Republicans' proposal, Invest Wisconsin. Gov. Doyle's other initiative, Innovate Wisconsin, is a new tax credit to reward businesses that increase their investment into research.

Accelerate Wisconsin

Accelerate Wisconsin builds upon 2003 Act 255, a collection of tax credits, grants, and loans to support start-up companies and attract angel and venture capital investment. *Accelerate Wisconsin* includes:

- **Accelerate Wisconsin Tax Credit.** *Accelerate Wisconsin* increases the total amount of angel investor and venture capital tax credits available to businesses. By 2015, the total amount of *Accelerate Wisconsin* tax credits will reach \$100 million with the goal of leveraging a minimum of \$400 million in private investment.
- **Accelerate Grant and Loan Program.** A new grant and loan program will double funding for current technology grants and loans. The program will direct \$5 million annually to provide seed money to start-up companies and small businesses and supply the matching funds required for federal research grant applications.
- **Capital Gains Reinvestment Initiative.** The plan encourages investment in Wisconsin businesses by allowing individual investors, partnerships and limited liability corporations to exclude 100% of capital gains (up to \$10 million) for long-term capital gains reinvested in qualifying Wisconsin businesses. Wisconsin residents currently pay tax at their personal rate on 40% of long-term capital gains.
- **Accelerating Capital Investment to New Start-ups.** The plan raises the current cap on tax credits available to angel investors from \$1 million to \$4

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million. This incentive will permit new start-up companies to receive financing from any combination of backers, including angel or venture investors up to the maximum of \$4 million in total tax-creditable investment.

These incentives will be attractive to many new businesses and investors. However, as with any tax incentive, grant or loan program, there are numerous criteria. At present, many of the details of *Accelerate Wisconsin* have not been released.

Innovate Wisconsin

Innovate Wisconsin would provide a tax credit for companies that spend at least 25% more on research and development than they did on average over the previous three years. Firms that meet this requirement will be rewarded with a dollar-for-dollar tax credit above the 25% threshold, with the benefit capped at 50% of the company's tax liability.

The plan also includes:

- A sales tax and property tax exemption for equipment used in research and development;
- A 100% increase in the amount of technology grants and loans available to businesses through the Commerce Department;
- Increased flexibility in rules governing tax credits, grants and loans that help young companies attract early-stage investors.

As with *Accelerate Wisconsin*, many of the details of *Innovate Wisconsin* have yet to be released. While *Innovate Wisconsin* could potentially provide significant tax savings to some businesses, not all businesses will be able to qualify for these incentives.

Both *Accelerate Wisconsin* and *Innovate Wisconsin* will require legislative approval before they can take effect. The Reinhart Boerner Van Deuren s.c. State and Local Tax practice group will monitor these initiatives as they become available and be prepared to provide counsel in the event these initiatives are enacted.

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