



# QUALIFIED NEW BUSINESS VENTURE PROGRAM

## SUPPORTING INVESTMENT IN WISCONSIN'S YOUNG COMPANIES

Wisconsin's **Qualified New Business Venture (QNBV) Program** offers incentives for investment in early-stage Wisconsin businesses with the potential for significant economic impact and job growth. This program creates mutually beneficial outcomes for investors, businesses and Wisconsin's economy.

### HOW IT WORKS

Early-stage businesses developing innovative products, processes or services may apply to the Wisconsin Economic Development Corporation (WEDC) for QNBV certification. When an angel investor, angel investment network or Qualified Venture Fund (QVF) invests in a QNBV company, the entity making the investment is eligible to receive a tax credit equal to 25 percent of the amount of the equity investment.

### QNBV CERTIFICATION

To achieve QNBV certification, companies must meet the following criteria, among others:

- Headquartered in Wisconsin
- At least 51% of employees and payroll based in the state
- Have fewer than 100 employees
- In operation for 10 consecutive years or less
- Offer significant potential for increasing jobs or increasing capital investment in Wisconsin
- Have not received aggregate private equity or venture capital investment of more than \$10 million

With a focus on technological advancement, QNBV certification does not apply to companies primarily engaged in real estate development, insurance, banking, lending, lobbying, political consulting, professional services, wholesale or retail trade, leisure, hospitality, transportation or construction (except the

### TAKING ADVANTAGE OF WISCONSIN'S QNBV PROGRAM

For more information about investment opportunities available through the QNBV Program contact a Wisconsin Economic Development Corporation (WEDC) Technology Investment Manager:

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For QNBV certification, you should be prepared to submit an up-to-date business plan or executive summary.

construction of power production plants that derive energy from a renewable resource).

## CLAIMING INVESTMENT TAX CREDITS\*

Businesses can receive up to a total of \$12 million in tax-eligible cash equity investment (for up to \$3 million in tax credits for the investors). There is no limit on the amount of credits investors can claim.

- An early-stage company must be certified as a QNBV by WEDC prior to the investment being made in order for that investment to be eligible for tax credits.
- A venture fund must be certified as a QVF by WEDC prior to investing in the QNBV company in order to be eligible for investment tax credits.\*\*
- Angel investors are required to be accredited/sophisticated investors and must submit a completed Accredited/Sophisticated Investor Form to WEDC following the investment.
- The investment is considered complete upon deposit of the investment into the QNBV company's bank account and execution of the appropriate investment documents.

Investments must be clearly identifiable as being cash investments in exchange for common stock, preferred stock, a partnership or membership interest, or an equivalent ownership interest. Cash exchanged for convertible securities is not eligible until the securities are converted into ownership interest.

The following will not qualify for tax credits:

- 401(k), IRA, Roth IRA or similar tax-deferred or tax-advantaged accounts are not eligible investment vehicles for the angel tax credit programs.
- An investor cannot control, and cannot be closely related (spouse, grandparent, parent, sibling, child, stepchild, grandchild) to someone who controls, more than 20 percent of the ownership interest in the company before the investment is made.
- Corporations, operating business entities, nonprofit organizations and foundations will not qualify under the angel tax credit, but may be eligible if the entity is qualified as a venture fund by WEDC.

\*The Wisconsin Economic Development Corporation (WEDC) does not endorse the quality of management or the potential for earnings for the certified Qualified New Business Venture. Furthermore, the Qualified New Business Venture's use of the phrase "certified" and/or "qualified new business venture" is not a recommendation or endorsement of the investment or the company by WEDC.

\*\*Certification of a fund by WEDC is not an endorsement of the quality of management of that fund. WEDC is not liable for damages or losses to an investor.