QUALIFIED NEW BUSINESS VENTURE (QNBV) PROGRAM
FREQUENTLY ASKED QUESTIONS

When should the Tax Credit Request Forms be submitted?

The due date for requests for verification of Investor Tax Credits will be March 31st of the year following the year in which the investment was made. WEDC, at it's discretion, may approve late submissions for up to a year after the due date.

Forms to request a tax credit can be submitted anytime after an investment round closes.

How much of the credit does the company receive?

The credit is issued to the investor, not the company. The tax credit equals 25 percent of the amount of the eligible equity investment, and can be used against tax liability accrued in the year the investment is made.

Are cash infusions from founders eligible?

Generally no, although this can change if the ownership is diluted to less than 20 percent.

What if the investment is done through an LLC or partnership?

In that case, the credit is issued to the LLC or entity, which then passes the credit to its member(s). Note that C-corporations and S-corporations are not eligible to receive or use angel credits.

Can a trust fund claim the credit?

A trust fund can be considered an eligible investor and can earn credits, but like an LLC or a partnership, the trust typically acts as a pass-through.

Is there a limit on the amount an investor can claim?

No. However, there is a limit on the credits one company can have allocated to it: each QNBV company is eligible for a statutory maximum of $3 million in credits.

Are convertible notes eligible for credits?

Only when the notes are converted into ownership interest.

Is the interest on the convertible note eligible for credits?

The investment must be a cash investment. Therefore, only the principal amount is eligible for credits.

Are excess credits refunded to the taxpayer after all liabilities are offset in the year the credits are earned?

No. This is a non-refundable credit.

What if an investor does not have a liability?

The credit can be carried forward up to 15 years, but the claimant must file a tax return in the year the credit is earned in order to roll it forward for future years.

Can the credit be sold to a Wisconsin taxpayer?

The Early Stage Seed Credit, earned by certified venture funds, can be sold or transferred. However, Angel Investment Tax Credits cannot be sold or transferred.

What is the fee to transfer/sell a tax credit?

The fee is 5 percent of the credit amount up to $200,000 in tax credits. Above the $200,000 threshold, the fee is $10,000 or 1 percent of the credit amount, whichever is greater.

Can I sell part of the credit?

An Early Stage Seed Credit can be sold in whole or in part, but tax credits can only be sold or transferred once in a 12-month period.

What if the company no longer wishes to be part of the QNBV Program?

If a company wishes to exit the program, they must submit a request in writing. Note that companies must continue submitting performance reports for three years from the last investment date.

What happens if a certified business relocates outside of the state after requesting tax credits on behalf of its investors?

WEDC may assess a penalty to the company if it relocates outside of the state. The fee amount is based off the date credit was issued and the date the firm moved its facility.

How long does an investor need to hold an investment?

The investor is required to hold the investment for three years or the credit may be revoked.

What if the firm is acquired?

This may be considered a bona fide liquidity event. In such cases, the investor may be exempted from the holding requirements.

If a credit is transferred does the investment have to be held for 3 years?

Yes.

If the tax credit is transferred to another taxpayer, who is responsible for repaying the credit if the investment is not maintained?

The claimant is responsible for repaying any credits. This should be considered when selling or buying Early Stage Seed Credits.

Can an investment from a Roth IRA, IRA, or 401(k) be eligible for credits?

No. Accounts that are tax advantaged cannot be used as vehicles for the tax credit program.

A husband and wife each own less than 20 percent of a QNBV, but their interests, when combined, exceed 20 percent. Do they qualify for tax credits?

It depends on how they file their taxes. If they file jointly, their combined ownership percentage is considered. If they file separately, their ownership percentages are considered separately.