Qualified New Business Venture Certification/Early Stage Business Investment

Program Guidelines for Calendar Year 2026			
Lead Division: Enterprise and Innovation			
☐ **New**	☒ **Revised** (1/27/2026)		
☐ **Grant**	☐ **Loan**	☐ **Tax Credit**	☐ **Technical Assistance**

Introduction

Background Information: The Qualified New Business Venture (QNBV) Certification/Early Stage Business Investment Program was created in 2003 Wisconsin Act 255. 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% of the value of the Investment made in the certified company. The Investments incented 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.

Program's Purpose: The purpose of the QNBV Program is to incent equity investment in technology-based businesses in the state of Wisconsin.

Eligibility Requirements

QNBV Certification: QNBV Certification allows businesses to offer their equity investors the Angel or Early-Stage Seed Income Tax Credits as an incentive for investing in their business. WEDC maintains flexibility in evaluating applications for certification to protect the intent of the QNBV Program in focusing on economic development, particularly incentivizing in-state investors, in Wisconsin.

A business may be certified, and may maintain such certification, only if the business satisfies all the following conditions:

- It has its headquarters in this state.[1]
- At least 51% of the employees employed by the business are employed in this state.[2]
- It has the potential for increasing jobs in this state, increasing capital investment in this state, or both, and any of the following apply:
    - It is engaged in, or has committed to engage in, innovation in any of the following:
        - Manufacturing, biotechnology, nanotechnology, communications, agriculture, or clean energy creation or storage technology
        - Processing or assembling products, including medical devices,

[1] Wis. Stat. § 238.15(1)(a).
[2] Wis. Stat. § 238.15(1)(b).

pharmaceuticals, computer software, computer hardware, semiconductors, any other innovative technology products, or other products that are produced using manufacturing methods that are enabled by applying differentiating technology
        - Services that are enabled by applying differentiating technology.[3]
    - It is undertaking pre-commercialization activity related to differentiating technology that includes conducting research, developing a new product or business process, or developing a service that is principally reliant on applying differentiating technology[4]
- It is not primarily engaged (being "primarily engaged" means having greater than 50% of projected or reported revenue generated from) in real estate development, insurance, banking, lending, lobbying, political consulting; professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants; wholesale or retail trade, leisure, hospitality, transportation, or construction, except construction of power production plants that derive energy from a renewable resource, as defined in Wis. Stat. §196.378(1)(h).[5]
- It has less than 100 employees at the time of initial certification.[6]
- It has been in operation in this state for not more than 10 consecutive years at the time of initial certification.[7]
- For taxable years beginning before January 1, 2008, it has not received more than $1,000,000 in Investments that have qualified for tax credits under §71.07(5)(d).[8]
- It has not received aggregate private equity investment in cash of more than $10,000,000 at the time of initial certification.[9]
- For taxable years beginning after December 31, 2007, and before January 1, 2011, it has not received more than $4,000,000 in Investments that have qualified for tax credits under the program.[10]
- For taxable years beginning after December 31, 2010, and before January 1, 2018, it has not received more than $8,000,000 in Investments that have qualified for tax credits under the program.[11]
- For taxable years beginning after December 31, 2017, it has not received more than $12,000,000 in Investments that have qualified for tax credits under the program.[12]
- Companies whose certification has expired or lapsed due to meeting or approaching $8 million in qualified Investments prior to January 1, 2018, may qualify for additional funds under the following:
    - If the company is within the required three-year reporting period following the receipt of qualifying Investments and in good standing with WEDC, it may be eligible for recertification in the program under program limits established for tax years after December 31, 2017.

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[3] Wis. Stat. § 238.15(1)(f)1.
[4] Wis. Stat. § 238.15(1)(f)2.
[5] Wis. Stat. § 238.15(1)(g).
[6] Wis. Stat. § 238.15(1)(h).
[7] Wis. Stat. § 238.15(1)(j).
[8] Wis. Stat. § 238.15(1)(k).
[9] Wis. Stat. § 238.15(1)(km).
[10] Wis. Stat. § 238.15(1)(kn).
[11] Wis. Stat. § 238.15(1)(L).
[12] Wis. Stat. § 238.15(1)(Lg).

- If the company is outside its reporting period, the company must go through the full application process.

In addition to the factors outlined above WEDC will evaluate applications based on, but not limited to, the following factors:

Whether the business is in one of Wisconsin's target industries as determined by WEDC

- High growth potential of the business
- Management team experience
- Financial need
- Percentage of funds that will be spent in Wisconsin
- Barriers to entry

A certified business must provide a statement in its private placement memorandum or equivalent documents indicating that WEDC does not endorse the quality of management of the business and is not liable for damages or losses to an investor.

For the purposes of determining if the company has at least 51% of their employees in Wisconsin, WEDC may make up to a 12-month exception in the case that a certified company has fallen below that threshold due to a merger or acquisition. The conditions of this exception are as follows[13]:

- The business maintains its headquarters in this state.
- After the merger or acquisition, the business increases the number of employees the business employs in this state.
- The corporation determines that the merger or acquisition was not for the purpose of relocating the business's operations or employees from this state to another state or for the purpose of ceasing the business's efforts to further grow and expand in this state.
- No later than the first day of the 13th month beginning after the date of the merger or acquisition, at least 51% of the employees employed by the business are employed in this state.

Each qualified business must be recertified in each taxable year in which it desires certification. If applicable, WEDC will consider the information contained in the company's annual performance report as an application for recertification. The company will also be required to provide a final report when it is determined that the company will not be pursuing recertification or is decertified by WEDC.

Penalties:

The certified company agrees that it will not relocate outside of this state during the 3 years after it receives an Investment under which a tax credit may be claimed and agrees to pay WEDC a penalty if the business relocates outside of this state during that 3-year period. For the purposes of this paragraph, a business relocates outside of this state when the business

[13] Wis Stats 238.15(1)(b)

locates more than 51% of any of the following outside of this state:

- The business's employees
- The business's total payroll
- The activities of the business's headquarters, as determined by WEDC[14]

For Investments made after 12/31/2011, the amount of a penalty payment is determined as follows:

- If the relocation occurs less than 12 months after the Investment, 100% of the tax credit that was claimed as the result of the Investment
- If the relocation occurs 12 months or more after the Investment but less than 24 months after the Investment, 80% of the tax credit that was claimed as the result of the Investment
- If the relocation occurs 24 months or more after the Investment but less than 36 months after the Investment, 60% of the tax credit that was claimed as the result of the Investment[15]

A business is not considered to have relocated outside of this state if WEDC determines that investment and employment levels have not diminished (the number of Wisconsin employees has not been reduced or shifted to non-Wisconsin locations, and the Wisconsin payrolls are not less than the previous year's) in Wisconsin regardless of whether a business meets the penalty thresholds shown above for employees or payroll.[16]

Companies maintaining certification must continue to meet other program requirements including headquarters location.[17] In addition, the penalty does not apply if WEDC certified a company prior to April 20, 2012, and the company converted a note or bond to an equity interest in reliance upon that certification.[18]

Fund Manager Certification/Qualified Venture Fund (QVF):

A certified fund manager is eligible for Early Stage Seed Tax Credits when making Investments in QNBV certified companies.[19] An investment fund manager desiring certification for a specific fund shall submit an application to WEDC.

In determining whether to certify an investment fund manager as a QVF, WEDC shall consider:

- The investment fund manager's experience in managing venture capital funds
- The past performance of investment funds managed by the applicant
- The expected level of investment in the investment fund to be managed by the applicant

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14 Wis. Stat. § 238.15(1)(m)1.
15 Wis. Stat. § 238.15(1)(m)2.
16 Wis. Stat. § 238.15(3)(dm).
17 Wis. Stat. § 238.15(3)(dm).
18 Wis. Stat. § 238.15(1)(m)3.
19 Wis. Stat. § 238.15(2).

- Any other relevant factors as determined by WEDC[20]

WEDC will evaluate fund manager applications in order to protect the intent of the program, QNBV companies, and investors.

In addition to the factors outlined above, WEDC will evaluate the following when determining whether to certify an investment fund manager as a QVF:

- The applicant's experience in investing in high-growth, early-stage businesses
- The past performance of businesses assisted by the applicant
- The portion of the investment fund's capital the fund manager expects to invest in QNBVs
- Geographic distribution of funds
- Focus on targeted industries or target group members, as determined by WEDC
- Ability to access follow-on funding
- Services provided
- Commitment to Wisconsin
- Administrative and management fees

A certified fund manager must provide a statement in its private placement memorandum or equivalent documents indicating that WEDC does not endorse the quality of management of the fund and is not liable for damages or losses to an investor.

Eligibility to Claim: An Angel, Angel Network, and QVF are each eligible for a 25% tax credit for making Investments in Qualified New Business Ventures.[21] Tax Credit Request Forms can be found on WEDC's website.

Tax credit qualifications:

- Clearly identifiable as being cash Investments.
- Must be in the form of common stock, preferred stock, partnership or membership interest, or equivalent ownership interest.
- Cash exchanged for debt is not eligible unless the debt is later converted into equivalent ownership interest as described above. *Note: The amount, in this circumstance, used to calculate tax credits only includes the original cash Investment and does not include accrued interest, unpaid fees, etc.*
- 401(k), IRA, Roth IRA or similar tax-deferred or tax-advantaged accounts are not eligible Investment vehicles for the Angel Tax Credit program.
- Investor does not control, nor are they closely related (spouse, parent, stepparent, parent-in-law, grandparent, step grandparent, grandparent-in-law, sibling, stepsibling, sibling-in-law, child, stepchild, child-in-law, grandchild, step grandchild, and grandchild-in-law) to someone who controls, more than 20% of the ownership interest in the company at the time the current Investment round is opened.
- Investments made by certified fund managers with principal offices based outside of

[20] Wis. Stat. § 238.15(2).

[21] Wis. Stat. § 71.07(5d)(b)2; 71.07(5b)(b)1; 71.28(5b)(b)1; 71.47(5b)(b)1; 76.638(2).

this state must be made side by side with equity investors based in Wisconsin, with a minimum participation by state investors as determined by WEDC. *Note: As an example, out-of-state fund managers with strong management, a strong history of performance, and a focus on target industries and companies in Wisconsin will have minimal side-by-side Investment requirements. By comparison, out-of-state investors with smaller fund size, minimal experience, or a broad fund focus that does not parallel the goals of the program may have larger side-by-side Investment requirements.*

- Public funds, including investments made by the State Fund of Funds and federal State Small Business Credit Initiative programs, may not be used as the basis for claiming credits.

Process for requesting Tax Credits:

The QNBV certified company in cooperation with the investor will complete the necessary forms. The tax credit request forms and required documentation shall be submitted to WEDC no later than 90 days following the end of the taxable year in which Investment was made that qualifies for credits. Upon review and approval of the required forms and documentation, WEDC will issue a verification form to the angel investor, angel investment network or certified fund manager stating the amount and type of tax credits that may be claimed.

Revocation of Tax Credits:

<u>Revocation of Certification</u>

WEDC may revoke or withhold the certification of a business or a fund, and no new Investment will qualify after revocation, if the business or fund (1) supplies false or misleading information to obtain the certification; (2) fails to continue to meet the required conditions or qualifications for obtaining the certification; (3) has violated or is under investigation for violations of state, federal, or local laws or regulations related to the conduct of the activities of the business; (4) has had an officer or director arrested for or convicted of a crime substantially related to the activities of the business or fund; (5) is not using the funds for a legitimate business purpose as determined by WEDC; or (6) is in default of WEDC or other state obligations.

<u>Revocation of Tax Credits</u>

WEDC or the Wisconsin Department of Revenue may revoke credits if an Investment qualifying for tax credits under the program is not kept in a certified business for 3 years, except as provided below:

- Upon review, WEDC determines that the Investment becomes worthless prior to the end of the three-year period.
- The Angel, Angel investment network, or certified fund manager has held an Investment for at least 12 months and upon review, WEDC determines that a Bona Fide Liquidity Event has occurred prior to the end of the holding period.[22]

<u>Repayment of Revoked Tax Credits</u>

[22] Wis. Stat. § 71.07(5d)(d)1; 71.07(5b)(d)3; 71.28(5b)(d)3; 71.47(5b)(d)3.

A claimant shall pay the amount of the tax credit claimed and used by the claimant, along with any interest and penalties as provided for the recovery of tax credits under Chapter 71, Wis. Stats., to the Wisconsin Department of Revenue. "Used" for purposes of this paragraph means the claimant used the credit to offset their Wisconsin income or franchise tax liability or transferred the credit to another qualifying person.

Transfer[23]:

Those eligible to claim a credit under the Early Stage Seed Investment Credit may sell or otherwise transfer the credit (subject to all applicable taxes and fees) no more than once in a 12-month period to another person who is subject to the applicable taxes and fees under Wis. Stat. § 71.02, 71.23, 71.47, or subchapter III of chapter 76.

Credit transfers up to $200,000 will be subject to a 5% fee; transfers in excess of $200,000 will be charged a fee of at least $10,000 or 1% of the credit amount transferred, whichever is greater.

To effectuate a transfer, the fund manager must approve the transfer; then, the certified fund manager must notify WEDC and the Department of Revenue of the transfer and must submit the following information to WEDC:

- A transfer form, as provided by WEDC, attesting to the transfer of the tax credit
- A copy of the transfer documents showing the transfer of tax credits from the seller to the buyer
- Any other documents as required by WEDC to verify the sale or transfer of tax credits

Available Incentives

CY26: $30,000,000

The aggregate amount of Investment in any one QNBV that may qualify for tax credits under the program is limited to $12,000,000 or a different amount determined by WEDC at the time of certification or recertification.

The aggregate amount of Angel and Early Stage Seed tax credits that may be claimed for Investments in businesses is limited to $30,000,000 per calendar year.

Activities and Expected Outcomes

Certify 29 new businesses, 3 fund managers, and achieve a 4:1 leverage.

Impact: The Qualified New Business Venture program seeks to increase capital availability for technology-based startups and boost Wisconsin's entrepreneurial ecosystem by providing tax incentives to attract more venture capital investments. A healthy venture capital environment contributes to increasing the number and quality of high-growth companies start and grow in Wisconsin.

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[23] Wis. Stat. § 238.15(3)(e).

Metrics: As an entrepreneurial development program, performance reporting metrics for QNBV are focused on measuring startup business growth and expansion. QNBV program metrics include the following list, and each project will include one or more of these metrics in its reporting requirements depending on the project's specified use of funds.

- Average Hourly Wage
- Commercialized Product Sales
- Job Creation
- Job Retention
- Leverage - Private

Application Guideline

Timeline: The QNBV Program has a continuous application process.

Review Considerations: WEDC may take the following into account when evaluating applicants:

- Technology – The company has identified technology ownership or control and has completed some level of research and development to prove the feasibility of the product, process, or service.
- Scalability – The company has the ability to communicate the problem, solution, market and have created a scalable business plan to address their target market.
- Team – The company has demonstrated expertise through their team including advisors and board members that directly relates to their product, service and/or industry.
- Investor Readiness – The company can demonstrate through their application that they have completed sufficient planning, market research, milestones, financial planning, and other business development activities, that would enable them to attract independent angel or venture capital investors.

How to Apply: Applicants for the QNBV Program should complete an application through an Account Manager.

Award Process: The completed application will be assigned to a WEDC underwriter and go through WEDC's awards administration process.

Performance Reporting: Recipients will be required to annually submit a performance report in March documenting investment activities, job creation, job retention, average wages, company financials, and an eligibility checklist, as well as any other contract deliverable.

Regardless of eligibility status, a certified company will be required to provide an annual report for a minimum of three years following the receipt of Investment that qualifies for credits under this program in order to monitor compliance with the penalty provisions. Failure to provide reports may result in WEDC enforcing penalty and/or revocation of tax credit provisions.

WEDC annually selects awards on a sample basis for an audit. All backup documentation to the performance report is required to be maintained for the life of the award.

WEDC may impose additional reporting requirements to evaluate project performance and to ensure compliance with contract deliverables.

Helpful Information

Definitions:

The following definitions supplement those in Wis. Stat. §238.15, §71.07(5b) and (5d), §71.28(5b), §71.47(5b), and §76.638.

"Accredited investor" means an individual who invests his or her own funds in a QNBV and satisfies the U.S. Securities and Exchange Commission Accredited Investor definition at the time of investment.

"Angel investment network" means an entity comprised of accredited investors organized for the sole purpose of making investment(s) in QNBV(s).

"Angel investor" means an accredited investor or sophisticated investor who makes a bona fide angel investment. "Approved" means acceptable to WEDC.

"Bona fide angel investment" means a purchase of an equity interest or any other expenditure, as further defined under "Investment",[24] that is made by any of the following:

- A partnership or limited liability company that is a non-operating entity, as determined by WEDC, a natural person, or fiduciary who reviews new businesses or proposed new businesses for potential investment of their money.
- A network of partnerships or limited liability companies that are a non-operating entity, as determined by WEDC, natural persons, or fiduciaries that reviews new businesses or proposed new businesses for potential investment of the network's money.

"Bona fide liquidity event" means any of the following events: (i) the reorganization, merger, dissolution, or consolidation of the company where substantially all of its assets are distributed or otherwise paid out to shareholders, partners, or beneficial owners; (ii) the sale of all or substantially all of the assets of the company in one transaction or in a series of related transactions to a person who is not affiliated with the company; (iii) the sale of more than 50% of the outstanding equity interests in the company where following such sale the former owners of the outstanding equity interests in the company no longer beneficially control, directly or indirectly, the ability to control management decisions of the company or (iv) the first time the company sells shares of its common or preferred stock to the public on the open market, excluding crowdfunding exchanges.

"Business" means an entity and all its affiliates.

"Business merger or acquisition" means the QNBV company acquires the assets and/or

[24] Wis. Stat. § 71.07(5d)(a)1.

personnel of another business through consolidation, stock sale, asset purchase, or some other legal means.

“Corporate Headquarters” means the location where the majority of the company’s financial, personnel, legal, planning, or other headquarters functions are handled on a divisional, regional, national, or global basis.

“Crowdfunding” means a legal securities offering conducted in accordance with Wisconsin’s crowdfunding exemption as regulated by the Wisconsin Department of Financial Institutions.

“Differentiating technology” means a specialized product or process that demonstrates distinct and significant technological differences and advantages over potential competitors.

“Eligible to claim a credit” means an investor has made an investment that has received tax credits as identified by a verification form issued by WEDC.

“In operation” means in existence and running a business.

“Investment” means the investment of cash in a QNBV that is used for legitimate business purposes in exchange for any one of the following:

- Common stock
- Partnership or membership interest
- Preferred stock
- An equivalent ownership interest in the QNBV approved by the WEDC

“Kept in a certified business or certified fund manager” means the investment was made in a certified business and the investment is held, or kept, by the angel investor, angel investment network, or certified fund manager, in the business or its successor.

“Legitimate business purposes” means investment proceeds used for normal operations of the business and are not used for activities including refinancing any prior investments, paying dividends to shareholders or other cash distributions to shareholders, stock repurchase, or other uses as determined by WEDC.

“Qualified New Business Venture” or “QNBV” means a business WEDC has determined meets the requirements established by WEDC and the controlling statutes.

“Sophisticated Investor” means an individual who has knowledge and experience in financial and business matters, and he or she is capable of evaluating the merits and risks of the prospective investment, or the QNBV reasonably believes immediately prior to making the investment that the undersigned comes within this description.

“Worthless” means the business has been deemed insolvent as determined by WEDC and by evidence of identifiable events, such as a cessation of business, dissolution, distribution, or a sale of substantially all of the company's assets to repay outstanding debts, pay bankruptcy or receivership filings, or make minimal equity distributions.

Revision History

Program Inception – 2003 Wisconsin Act 255

- 7/1/2017: Added statutory references to clarify eligibility requirements.
- 7/1/2017: Reorganized the penalties and revocation sections for logical consistency.
- 9/23/2017: Pursuant to 2017 Act 59, unused QNBV tax credits can no longer be transferred to the Business Development Tax Credit Program.
- 4/20/2018: Pursuant to 2017 Act 234, raised the aggregate investment limit from $8 million to $12 million.
- 7/1/2019: Clarified definitions and eligibility requirements; eliminated obsolete statutory reference; clarified performance reporting requirements.
- 4/20/2021: Aligned program guidelines with the annual calendar year credit allocation.
- 7/1/2022: Accommodated statutory changes related to percentages of employees located outside the state.