



REP. KARL VAN ROY • 90TH ASSEMBLY DISTRICT

VAN ROY'S VIEWS

LEGISLATIVE E-UPDATE

Friday, January 25, 2008

Promoting Business & Job Growth By Encouraging Angel Investments

As many of you are aware, the United States is facing a difficult economic outlook with the possibility of a recession in our future. In order to insure the health of Wisconsin's economy, we need to focus on creating and maintaining jobs, especially in high-tech fields. One way to do this is by promoting economic development among start-up businesses in the state through the Angel Investment Tax Credit Program.

By a unanimous vote, the State Assembly passed proposed changes to expand the Angel Investment Tax Credit Program this week. This legislation will provide nearly \$11 million in tax relief over the next two years for angel investors while increasing the amount of seed money they will invest into Wisconsin's new start-up companies. In order to direct our economy toward a brighter future, these angel investments will be critical to lifting new companies off the ground, expanding production, and creating more good-paying jobs in the long run.

In 2006 alone, angel investments totaled \$102.9 million, up from the previous year total of \$66.6 million. At this time, 79 companies in Wisconsin are certified to receive capital through the Angel Investment Tax Credit Program. Because of the program, it is expected that 10% of these companies will earn as much as \$100 million per year in profits ten years from now. These companies are already expanding their workforce and continued growth will only provide more exciting opportunities for graduates of Wisconsin's colleges and universities, thus reducing the "brain drain" that has plagued our state over the last few years.

Without the financial assistance provided by angel investors, entrepreneurs and start-up companies would find it extremely difficult to turn their brilliant ideas into the successful businesses that help drive Wisconsin's economy. Providing angel investors with tax incentives and credits will allow them to invest more capital into promising companies, encourage research and development, and help improve the skills and education of workers in maintaining a healthy economy. Because of the program, we have already seen a 54% increase in early-stage investment in Wisconsin businesses compared to the national average of only 11%. By continuing to take the necessary precautions to pass

economic and workforce development legislation, I know we can overcome the economic hardship the nation is facing and keep Wisconsin moving forward.

State of the State - Economic Agenda

This week, Governor Doyle gave his annual State of the State address reflecting on the government's accomplishments of the past year and explaining his vision for what needs to be done in the year ahead. I was very pleased to see that much of his speech focused on one issue I believe Wisconsin citizens care about most - the economy. This issue is one of my top priorities.

The signs are obvious that our nation is facing an economic downturn. With a decline in the housing market, higher energy prices, and a volatile stock market, people are concerned about the future, and rightfully so. In his speech, Governor Doyle promoted several economic development proposals to help get Wisconsin's economy back on track. What is striking about his plan is that it mirrors legislative proposals that are already part of the Assembly Republican agenda to attract new businesses, especially in high-tech and emerging industries, that will provide good, high-paying jobs for Wisconsin workers.

Highlights of our agenda which were promoted in Governor Doyle's speech include:

- AB 557 & AB 598 - Expanding the Angel Investment Tax Credit – As discussed already, this proposal passed the Assembly floor prior to the Governor's speech.
- AB 671 – Providing a capital gains re-investment tax credit to increase venture capital into start-up companies
- AB 696 – Providing tax credits to businesses for their investments in research and development into new products and emerging technologies
- AB 609 – Increasing funding for cutting edge nanotechnology research and development

In addition to these proposals, Assembly Republicans are working on a few other measures to promote economic and workforce development. AB 67 provides for a higher education tax credit to encourage businesses to pay for the education and training of their workers to keep our workers from leaving for jobs out of state. We're working on tax credits to help our meat and dairy industries expand and modernize their facilities to keep up with increased competition from other states like California.

I'm also co-sponsoring a new proposal (LRB 3573) to tap into an unused funding source to expand the Technology Zone Program. This program encourages growth and development of new and existing high-tech businesses by offering tax credits to offset the costs of growing those businesses. The NEWREP technology zone, which covers the Green Bay area, has utilized the program the most and is soon to be running out of its allotted credits. This legislation will free up more credits to continue business

development and job growth which is greatly needed in northeast Wisconsin.

I believe our agenda will stimulate Wisconsin's economy and provide long term economic growth. I'm glad to see that Governor Doyle shares that same vision, and I look forward to working with him in implementing these bi-partisan solutions.

Budget Shortfall Predicted

The non-partisan Legislative Fiscal Bureau (LFB) provided preliminary information to the legislature yesterday regarding the general fund tax revenue estimates for the remainder of the 2007-09 biennium. Tax revenues are coming in lower than anticipated, and the economic forecasts for 2008 and 2009 have been revised significantly downward, primarily due to the housing and credit markets as well as high energy prices. Based on current information, the LFB estimates the state is facing a potential budget shortfall of \$300 to \$400 million.

This news clearly shows that now, more than ever, we must work together on passing critical initiatives to stimulate our economy and attract new businesses with good-paying jobs that will provide long-term economic growth. Also, in times of economic downturn, the government should not be raising taxes. Higher taxes hurt taxpayers by taking more money out of your paycheck. Higher taxes also contribute to the economic downturn by taking money out of the economy instead of putting it back in. Instead, government needs to live within its means and make the cuts necessary to keep a balanced budget. Right now, that responsibility falls on the shoulders of Governor Doyle to direct his agency heads to find savings and cut spending.

This news from LFB only goes to show you how important it was that the Assembly Republicans fought against higher taxes and spending increases in the 2007-2009 state budget. If we hadn't blocked as much as we did, our budget shortfall would be far worse than what we are currently predicted to face.

State Representative Karl Van Roy
State Capitol - P.O. Box 8953 - Madison, Wisconsin 53708
Toll Free: (888) 534-0090 - Fax (608) 282-3690
Email: Rep.VanRoy@legis.wisconsin.gov
On the Internet: www.legis.state.wi.us/assembly/asm90/news/

To remove your email address from the Van Roy's View's E-Update distribution list, please [click here](#) and your address will be taken off. Thank you.