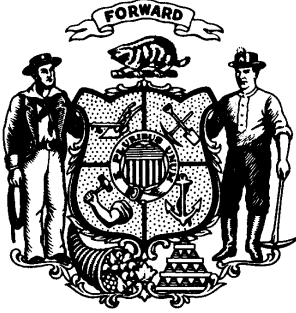


State of Wisconsin



2025 Assembly Bill 676

Date of enactment:
Date of publication*:

2025 WISCONSIN ACT

AN ACT to amend 71.45 (2) (a) 10. and 76.67 (2); to create 71.47 (11), 71.49 (1) (bt) and 76.633 of the statutes; relating to: creating a tax credit for insurers for certain investments in community development entities.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1c. 71.45 (2) (a) 10. of the statutes, as affected by 2025 Wisconsin Act 15, is amended to read:

71.45 (2) (a) 10. By adding to federal taxable income the amount of credit computed under s. 71.47 (1dm) to (1dy), (3g), (3h), (3n), (3q), (3w), (3y), (5f), (5g), (5h), (5i), (5j), (5k), (5r), (5rm), (6n), ~~and (10)~~, and (11) and not passed through by a partnership, limited liability company, or tax-option corporation that has added that amount to the partnership's, limited liability company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g) and the amount of credit computed under s. 71.47 (3), (3t), (4), (4m), and (5).

SECTION 1e. 71.47 (11) of the statutes is created to read:

71.47 (11) COMMUNITY DEVELOPMENT ENTITY INVESTMENT CREDIT. (a) *Definitions.* In this subsection:

1. "Applicable percentage" means 0 percent for the first 2 credit allowance dates and 10 percent for the next 5 credit allowance dates.

2. "CDFI fund" means the community development financial institutions fund of the U.S. treasury department or any agency or instrumentality of the federal government that administers the program authorized under section 45D of the Internal Revenue Code.

3. "Claimant" means a person who files a claim under this subsection.

4. "Credit allowance date" means, with respect to any qualified equity investment, any of the following dates:

a. The date on which the investment is initially made.

b. Each of the 6 anniversary dates of that date thereafter.

5. "Purchase price" means the amount paid to a qualified community development entity for a qualified equity investment.

6. a. "Qualified active low-income community business" has the meaning given in section 45D (d) (2) of the Internal Revenue Code except as provided in subd. 6. b. "Qualified active low-income community business" includes a business for the duration that it receives a qualified low-income community investment if the qualified community development entity reasonably expects at the time that it makes the qualified low-income community investment in the business that the business will continue to continue to be considered a qualified active low-income community business under section 45D (d) (2) of the Internal Revenue Code throughout the entire period that it receives the qualified low-income community investment.

b. "Qualified active low-income community busi-

* Section 991.11, WISCONSIN STATUTES: Effective date of acts. "Every act and every portion of an act enacted by the legislature over the governor's partial veto which does not expressly prescribe the time when it takes effect shall take effect on the day after its date of publication."

ness” does not include a business that derives or projects to derive 15 percent or more of its annual income from the rental or sale of real estate. This subd. 6. b. does not apply to a business that is controlled by or under common control with another business if the 2nd business does not derive or project to derive 15 percent or more of its annual income from the rental or sale of real estate and is the primary tenant of the real estate leased from the initial business.

7. “Qualified community development entity” has the meaning given in section 45D (c) of the Internal Revenue Code but includes only entities that have entered into, or that are controlled by an entity that has entered into, an allocation agreement with the CDFI fund with respect to tax credits authorized under section 45D of the Internal Revenue Code that includes this state within the service area set forth in that allocation agreement.

8. “Qualified equity investment” has the meaning given in s. 76.633 (1) (i).

9. “Qualified low-income community investment” means any capital or equity investment in, or loan to, a qualified active low-income community business.

(b) *Filing claims.* Subject to the limitations provided in this subsection, for taxable years beginning after December 31, 2024, a claimant may claim as a credit against the tax imposed under s. 71.43, for a taxable year in which the insurer holds a qualified equity investment on the credit allowance date, an amount equal to the applicable percentage for that credit allowance date multiplied by the purchase price paid to the qualified community development entity for the qualified equity investment.

(c) *Limitations.* No credit may be allowed under this subsection unless it is claimed within the period specified in s. 71.75 (2).

(d) *Administration.* Section 76.633 (3), (4), (5), (6), (7), (8), and (9), as it applies to the credit under s. 76.633, applies to the credit under this subsection.

SECTION 1g. 71.49 (1) (bt) of the statutes is created to read:

71.49 (1) (bt) Community development entity investment credit under s. 71.47 (11).

SECTION 1r. 76.633 of the statutes is created to read:

76.633 Community development entity investment credit. (1) DEFINITIONS. In this section:

(a) “Applicable percentage” means 0 percent for the first 2 credit allowance dates and 10 percent for the next 5 credit allowance dates.

(b) “CDFI fund” means the community development financial institutions fund of the U.S. treasury department or any agency or instrumentality of the federal

government that administers the program authorized under section 45D of the Internal Revenue Code.

(c) “Credit allowance date” means, with respect to any qualified equity investment, any of the following dates:

1. The date on which the investment is initially made.

2. Each of the 6 anniversary dates of that date thereafter.

(cm) “Department” means the department of revenue.

(d) “Metro county” means Columbia, Dane, Green, Iowa, Milwaukee, Ozaukee, Washington, and Waukesha Counties.

(e) 1. “Principal business operations” means the place or places where at least 60 percent of a qualified active low-income community business’s employees work or where employees that are paid at least 60 percent of the business’s payroll work.

2. “Principal business operations” includes places where an out-of-state business agrees to relocate employees or an in-state business agrees to hire employees using the proceeds of a qualified low-income community investment when the business satisfies the definition under subd. 1. within 180 days, or by a later date agreed by the department, after receiving the qualified low-income community investment.

(f) “Purchase price” means the amount paid to a qualified community development entity for a qualified equity investment.

(g) 1. “Qualified active low-income community business” has the meaning given in section 45D (d) (2) of the Internal Revenue Code except as provided in subd. 2. “Qualified active low-income community business” includes a business for the duration that it receives a qualified low-income community investment if the qualified community development entity reasonably expects at the time that it makes the qualified low-income community investment in the business that the business will continue to be considered a qualified active low-income community business under section 45D (d) (2) of the Internal Revenue Code throughout the entire period that it receives the qualified low-income community investment.

2. “Qualified active low-income community business” does not include a business that derives or projects to derive 15 percent or more of its annual income from the rental or sale of real estate. This subdivision does not apply to a business that is controlled by or under common control with another business if the 2nd business does not derive or project to derive 15 percent or more of its annual income from the rental or sale of real estate and is the primary tenant of the real estate leased from the initial business.

(h) “Qualified community development entity” has the meaning given in section 45D (c) of the Internal Revenue Code but includes only entities that have entered into, or that are controlled by an entity that has entered into, an allocation agreement with the CDFI fund with respect to tax credits authorized under section 45D of the Internal Revenue Code that includes this state within the service area set forth in that allocation agreement.

(i) “Qualified equity investment” means any equity investment in a qualified community development entity to which all of the following apply:

1. Either of the following applies:

a. The equity investment is acquired after December 31, 2024, at its original issuance solely in exchange for cash.

b. The equity investment is acquired by an insurer and a prior holder of the equity investment acquired it after December 31, 2024, at its original issuance solely in exchange for cash.

2. The qualified community development entity uses at least 100 percent of the purchase price of the equity investment to make qualified low-income community investments in qualified active low-income community businesses that have their principal business operations in this state.

3. The equity investment is designated by the community development entity as a qualified equity investment under sub. (5).

4. If the qualified community development entity is not domiciled in this state and the entity’s controlling entity, if any, is not domiciled in this state, the qualified community development entity has designated at least 50 percent of the equity investment as a qualified equity investment under section 45D of the Internal Revenue Code.

5. The equity investment is certified by the department as not exceeding the limit under sub. (4) (a).

(j) “Qualified low-income community investment” means any capital or equity investment in, or loan to, a qualified active low-income community business.

(k) “Rural county” means any county in this state that is not a metro county.

(2) FILING CLAIMS. For taxable years beginning after December 31, 2024, an insurer may claim as a credit against the fees due under s. 76.60, 76.63, 76.65, 76.66, or 76.67, for a taxable year in which the insurer holds a qualified equity investment on the credit allowance date, an amount equal to the applicable percentage for that credit allowance date multiplied by the purchase price paid to the qualified community development entity for the qualified equity investment.

(3) CARRY-FORWARD. If the credit under sub. (2) is not entirely offset against the fees under s. 76.60, 76.63,

76.65, 76.66, or 76.67 otherwise due, the unused balance may be carried forward and credited against those fees for following years to the extent that it is not offset by those fees otherwise due in all the years between the year in which the qualified entity investment was held on its allowance date and the year in which the carry-forward credit is claimed.

(4) ALLOCATIONS; APPLICATIONS. (a) 1. The department shall allocate \$125,000,000 in qualified equity investment authority under this section or s. 71.47 (11) for investment in qualified active low-income community businesses having principal business operations in a rural county.

2. The department shall allocate \$125,000,000 in qualified equity investment authority under this section or s. 71.47 (11) for investment in qualified active low-income community businesses having principal business operations in a metro county.

(b) 1. A qualified community development entity that seeks to have an equity investment designated as a qualified equity investment that is eligible for the credit under this section shall apply to the department for the rural allocation under par. (a) 1. or the metro allocation under par. (a) 2. or both on a form provided by the department and shall include all of the following:

a. The name, address, and tax identification number of the applicant and evidence of the applicant’s certification as a qualified community development entity by the CDFI fund.

b. A copy of the allocation agreement executed by the applicant or its controlling entity and the CDFI fund.

c. A certificate executed by an executive officer of the applicant attesting that the allocation agreement with the CDFI fund remains in effect and has not been revoked or cancelled.

d. A description of the proposed amount, structure, and purchaser of the equity investment.

e. The amount of qualified equity investment authority applied for from the rural allocation or the metro allocation, or both, as applicable. If the applicant is not domiciled in this state, the amount applied for under this paragraph may not exceed an amount equal to twice the amount of qualified equity investment authority under section 45D of the Internal Revenue Code available to the applicant or its controlling entity.

f. If the applicant is not domiciled in this state, evidence of the amount of qualified equity investment authority under section 45D of the Internal Revenue Code available to the applicant or its controlling entity.

g. A nonrefundable application fee of \$5,000 paid to the department.

2. A qualified community development entity may apply for a portion of both the rural allocation under par.

(a) 1. and the metro allocation under par. (a) 2. of qualified equity investment authority.

3. The department shall establish a date for beginning to accept applications under this paragraph that is between the 30th day beginning after the effective date of this subdivision [LRB inserts date], and the 45th day beginning after the effective date of this subdivision [LRB inserts date].

(5) CERTIFICATION OF QUALIFIED EQUITY INVESTMENTS. (a) No later than 30 days after receiving an application under sub. (4) (b), the department shall approve or deny the application in full or in part. If the department denies any part of the application, the department shall inform the applicant of the grounds for the denial. If the applicant provides any additional information required by the department or otherwise amends its application within 15 days of the notice of denial, the department shall consider the application complete as of the original date of submission. If the applicant fails to provide the information or complete its application within 15 days of the notice of denial, the application remains denied and if the applicant submits an additional application, the department may not consider the additional application complete as of the date of submission of the original application.

(b) 1. If the department determines that an application is complete, the department shall certify the equity investment proposed by the application as a qualified equity investment that is eligible for the credit under this section, subject to the limitations under this subsection.

2. The department shall provide written notice of a certification under subd. 1. to the applicant.

3. When a qualified community development entity certified under subd. 1. knows the names of the persons who are allocated a credit under this section and the respective credit amounts for each person, the qualified community development entity shall provide to the department a notice containing the names and credit amounts.

4. The department shall provide a certification containing the credit amounts and utilization schedule to each person and qualified community development entity described in subd. 3.

5. If the person eligible to claim a credit under this section changes because of a transfer of a qualified equity investment, the qualified community development entity shall notify the department of the change.

(c) 1. If the amount of qualified equity investment authority for the rural allocation under sub. (4) (a) 1. is insufficient to certify all amounts of qualified equity investment applied for, the department shall prorate the amounts certified among the approved applicants in proportion to the ratio of the amount of qualified equity investment authority applied for by an applicant for the

rural allocation under sub. (4) (a) 1. to the total amount of qualified equity investment applied for the rural allocation under sub. (4) (a) 1. by all applicants.

2. If the amount of qualified equity investment authority for the metro allocation under sub. (4) (a) 2. is insufficient to certify all amounts of qualified equity investment applied for, the department shall prorate the amounts certified among the approved applicants in proportion to the ratio of the amount of qualified equity investment authority applied for by an applicant for the metro allocation under sub. (4) (a) 2. to the total amount of qualified equity investment applied for the metro allocation under sub. (4) (a) 2. by all applicants.

(d) 1. The department shall certify an amount of qualified equity investments that generates no more than the following amounts of credits under this section or s. 71.47 (11) for a taxable year, excluding any credits under this section or s. 71.47 (11) carried forward from a previous taxable year:

a. For credits for qualified equity investments from the allocation under sub. (4) (a) 1., \$12,500,000.

b. For credits for qualified equity investments from the allocation under sub. (4) (a) 2., \$12,500,000.

2. If the department cannot grant in full a certification for a tax credit under this section or s. 71.47 (11) because of the limit described in subd. 1., the department shall certify the portion of the credit, if any, allowed under the limit described in subd. 1. unless the applicant elects to withdraw its application.

(e) 1. An applicant that receives a certification for qualified equity investment authority may transfer all or a portion of its authority to issue qualified equity investments to its controlling entity or any affiliate or partner of the controlling entity that is also a qualified community development entity.

2. An applicant may not transfer authority to issue qualified equity investments under subd. 1. unless the applicant provides the department with the information described in sub. (4) (b) 1. a., b., c., d., and f. with respect to the transferee and notifies the department of the transfer in the notice required under par. (g).

(f) No later than 30 days after receiving a notice of certification under par. (b) 2., the applicant or a transferee under par. (e) 1. shall do all of the following:

1. Issue qualified equity investments in an amount equal to the total amount of certified qualified equity investment authority.

2. Receive cash in the amount of the qualified equity investment issued under subd. 1.

3. If the applicant or transferee is not domiciled in this state, designate at least 50 percent of the qualified equity investment authority described in subd. 1. as a qualified equity investment under section 45D of the Internal Revenue Code.

(g) 1. No later than 35 days after receiving a notice of certification under par. (b) 2., a qualified community development entity shall provide the department with evidence of the cash investment received under par. (f) 2., and if the qualified community development entity is not domiciled in this state, evidence of the designation of at least 50 percent of the qualified equity investment described in par. (f) 1. as a qualified equity investment under section 45D of the Internal Revenue Code.

2. If a qualified community development entity does not satisfy the requirements under par. (f), the certification granted to the qualified community development entity lapses.

3. The department shall award any qualified equity investment authority that lapses under subd. 2. on a pro rata basis to applicants that received awards of qualified equity investment authority and that agree to designate any additional qualified equity investment authority awarded under this subdivision as a qualified equity investment under section 45D of the Internal Revenue Code and to satisfy par. (f) with the additional qualified equity investment authority.

(h) If the department does not award the full amount of the rural allocation under sub. (4) (a) 1. or metro allocation under sub. (4) (a) 2. or both, the requirements under par. (f) 3. and (g) 1. applicable to qualified community development entities not domiciled in this state do not apply and the department shall establish a date for accepting additional applications.

(6) RECAPTURE. (a) The department shall recapture credits under this section and future credits are forfeited if any of the following applies:

1. Any amount of the federal tax credit under section 45D of the Internal Revenue Code available with respect to a qualified equity investment that is eligible for a credit under this section is recaptured under section 45D of the Internal Revenue Code. If this subdivision applies, the department shall recapture the same proportion of the credit under this section that is recaptured under section 45D of the Internal Revenue Code.

2. The qualified community development entity that issued the qualified equity investment redeems or makes principal repayment with respect to the qualified equity investment before the 7th anniversary of the issuance of the qualified equity investment. If this subdivision applies, the department shall recapture an amount of the credit proportionate to the amount of the redemption or repayment with respect to the qualified equity investment.

3. The qualified community development entity fails to invest at least 100 percent of the cash purchase price of the qualified equity investment in qualified low-income community investments in rural or metro counties, as applicable, within 12 months of the issuance of

the qualified equity investment or to maintain such level of investment in qualified low-income community investments in rural or metro counties, as applicable, until the last credit allowance date for such qualified equity investment.

(b) 1. a. A qualified community development entity shall use the proceeds from qualified low-income community investments made from the rural allocation under sub. (4) (a) 1. to make qualified low-income community investments in qualified active low-income community businesses with principal business operations in a rural county.

b. A qualified community development entity shall use the proceeds from qualified low-income community investments made from the metro allocation under sub. (4) (a) 2. to make qualified low-income community investments in qualified active low-income community businesses with principal business operations in a metro county.

2. For purposes of par. (a) 3., an investment is considered maintained by a qualified community development entity even if the investment has been sold or repaid if the qualified community development entity reinvests an amount equal to the capital returned to or recovered by the qualified community development entity from the original investment, excluding any profits realized, in another qualified low-income community investment in a rural or metro county, as applicable, within 12 months of the receipt of the capital. Periodic loan repayments received by a qualified community development entity from a qualified active low-income community business within a calendar year are considered maintained in qualified low-income community investments if the qualified community development entity reinvests such amounts in qualified low-income community investments by the end of the following calendar year.

(c) A qualified community development entity is not required to reinvest capital returned from qualified low-income community investments after the 6th anniversary of the issuance of the qualified equity investment, the proceeds of which were used to make the qualified low-income community investment, and the qualified low-income community investment is considered held by the qualified community development entity through the 7th anniversary of the qualified equity investment's issuance.

(d) No more than \$10,000,000 in qualified low-income community investments made in any one particular qualified active low-income community business, including all of its affiliates, may count towards satisfying the requirement under par. (a) 3., whether made by one or several qualified community development entities, excluding any redeemed or repaid qualified low-income

community investments by the qualified active low-income community business.

(e) 1. The department shall provide notice to a qualified community development entity of a proposed recapture of credits under this subsection. If the qualified community development entity fails or is unable to cure the deficiency that the proposed recapture is based on within 90 days of the notice, the department shall provide the qualified community development entity and the person from whom the credit under this section is to be recaptured with a final order of recapture.

2. A credit for which a final recapture order is issued shall be recaptured by the department from the person who claimed the credit on a tax return.

3. The qualified equity investment authority related to recaptured credits lapses to the department and shall be awarded pro rata to applicants that received awards of qualified equity investment authority, satisfied sub. (5) (f), and have not had credits recaptured under this subsection.

(7) ALLOCATION AND TRANSFERS OF CREDITS. No credit claimed under this section shall be refundable or saleable on the open market. Credits earned by or allocated to a partnership, limited liability company, or tax-option corporation may be allocated to the partners, members, or shareholders of such entity for their use in accordance with the provisions of any agreement among such partners, members, or shareholders, and a qualified community development entity shall notify the department of the names of the entities that are eligible to claim the credit. An insurer may transfer a credit under this section to an affiliate of the insurer that is subject to taxation under this subchapter if the insurer notifies the department of the transfer and includes with the notification a copy of the transfer documents.

(8) EXAMINATION; ADVISORY LETTERS. (a) The department may conduct examinations to verify that the requirements under this section are satisfied.

(b) The department may issue advisory letters to individual qualified community development entities and their investors that are limited to the specific facts outlined in an advisory letter request from a qualified community development entity. An advisory letter issued under this paragraph may not be relied on by any person other than the qualified community development entity that requested the letter and the persons eligible to claim credits under this section generated from investments in the qualified community development entity.

(c) In issuing advisory letters and making determinations under this section, to the extent applicable, the department shall use section 45D of the Internal Revenue Code and the regulations issued thereunder as guidance.

(9) ANNUAL REPORT. (a) No later than May 1 of

each year during which a credit allowance date occurs, each qualified community development entity that has been certified under sub. (5) (b) 1. shall submit an annual report to the department. The report shall include all of the following:

1. Information with respect to all qualified low-income community investments made by the qualified community development entity, including:

a. The date and amount of, and bank statements or wire transfer reports documenting, the qualified low-income community investments.

b. The name and address of each qualified active low-income community business funded by the qualified community development entity, the number of persons employed by the business at the time of the initial qualified low-income community investment, and a brief description of the business and the financing.

c. The number of employment positions maintained by each qualified active low-income community business as of the date of the report or at the end of the preceding calendar year and the average annual salaries of the positions.

d. The total number of employment positions created and retained as a result of qualified low-income community investments and the average annual salaries of those positions.

e. A certification by its chief executive officer or similar officer that the qualified community development entity is in compliance with sub. (6).

f. Any changes with respect to persons entitled to claim the credit under this section with respect to qualified equity investments issued by the qualified community development entity since its last report under this paragraph.

(b) 1. No report under par. (a) is required to be made with respect to a qualified equity investment before the first anniversary of the credit allowance date of the qualified equity investment.

2. A qualified community development entity is not required to provide the information described in par. (a) for qualified low-income community investments that have been redeemed or repaid.

SECTION 2. 76.67 (2) of the statutes is amended to read:

76.67 (2) If any domestic insurer is licensed to transact insurance business in another state, this state may not require similar insurers domiciled in that other state to pay taxes greater in the aggregate than the aggregate amount of taxes that a domestic insurer is required to pay to that other state for the same year less the credits under ss. 76.633, 76.635, 76.636, 76.637, 76.638, and 76.655, except that the amount imposed shall not be less than the total of the amounts due under ss. 76.65 (2) and 601.93 and, if the insurer is subject to s. 76.60, 0.375

percent of its gross premiums, as calculated under s. 76.62, less offsets allowed under s. 646.51 (7) or under ss. 76.633, 76.635, 76.636, 76.637, 76.638, 76.639, and

76.655 against that total, and except that the amount imposed shall not be less than the amount due under s. 601.93.

