



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2005 Wisconsin Act 361
[2005 Assembly Bill 208]

Enterprise Zone Jobs Credit

2005 Wisconsin Act 361, as partially vetoed by the Governor, authorizes the Department of Commerce (Commerce) to designate enterprise zones and creates an enterprise zone jobs credit against income and franchise taxes for certified business located in an enterprise zone. In general, the credit is based upon the amount that the business pays to employees in the enterprise zone, as calculated by the formulas created in the Act. If the amount of the credit exceeds the claimant's income tax liability, the Department of Revenue (DOR) must certify the excess amount to the Department of Administration for payment to the claimant, drawn from a sum sufficient appropriation created by the Act.

Commerce may designate no more than 10 enterprise zones and may not designate an area as an enterprise zone if the area exceeds 50 acres. A designation may be in effect for no more than 12 years. In determining whether to designate an area as an enterprise zone, Commerce must consider indicators of the area's economic need, including data on household income, average wages, the condition of property, housing values, population decline, job losses, infrastructure and energy support, the rate of business development, existing resources available to the area, and the effect of designation on other initiatives and programs to promote economic and community development in the area, such as job training and the creation of high-paying jobs. The Act requires Commerce, to the extent possible, to give preference to the greatest economic need.

Commerce may certify for tax benefits any of the following:

- A business that begins operations in an enterprise zone;
- A business that relocates to an enterprise zone from outside Wisconsin, if the business offers compensation and benefits to its employees working in the zone for the same type of work that are at least as favorable as those offered to its employees working outside the zone, as determined by Commerce; or
- A business that expands operations in an enterprise zone, if any of the following apply:

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature's Web site at: <http://www.legis.state.wi.us/>.

- The business will increase its personnel by at least 10%, enters into an agreement with Commerce to claim tax benefits only for years during which the business maintains the increased level of personnel, and offers compensation and benefits for the same type of work to its employees working in the enterprise zone that are at least as favorable as those offered to its employees working in this state but outside the zone, as determined by Commerce.
- The business makes a capital investment in property located in the enterprise zone equal to at least 10% of the business' gross revenues in the preceding tax year attributable to business activities in this state, enters into an agreement with Commerce to claim tax benefits only for years during which it maintains the capital investment, and offers compensation and benefits for the same type of work to its employees working in the zone that are at least as favorable as those offered to its employees working in this state but outside the zone, as determined by Commerce.

Under the Act, Commerce must notify the DOR when Commerce certifies a business to receive tax benefits, and must revoke a certification if the business supplies false or misleading information to obtain tax benefits, leaves the enterprise zone to conduct substantially the same business outside of the enterprise zone, or ceases operations in the enterprise zone and does not renew operation of the business or a similar business in the enterprise zone within 12 months. Commerce must notify the DOR within 30 days of revoking a certification and may require a business to repay any tax benefits the business claims for a year in which the business failed to maintain required employment or capital investment levels.

Effective Date: The Act takes effect on May 3, 2006. Its provisions relating to the enterprise zone jobs credit first apply to taxable years beginning on July 1, 2007.

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