

# 05hr\_SC-JCEDCA\_ab0208\_pt01



(FORM UPDATED: 08/11/2010)

## WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

### 2005-06

(session year)

### Senate

(Assembly, Senate or Joint)

### Committee on ... Job Creation, Economic Development and Consumer Affairs (SC-JCEDCA)

### COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

### INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
  - (**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)                      (**ajr** = Assembly Joint Resolution)
  - (**sb** = Senate Bill)                              (**sr** = Senate Resolution)                              (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

\* Contents organized for archiving by: Mike Barman (LRB) (August/2012)

**NO**

**R**ECORD OF **C**OMMITTEE **P**ROCEEDINGS

**AVAILABLE FOR THIS BILL**

**ASSEMBLY BILL 208 (LRB -1297)**

An Act to amend 71.05 (6) (a) 15., 71.08 (1) (intro.), 71.10 (4) (i), 71.21 (4), 71.26 (2) (a), 71.30 (3) (f), 71.34 (1) (g), 71.45 (2) (a) 10., 71.49 (1) (f) and 77.92 (4); and to create 20.835 (2) (cm), 20.835 (2) (em), 20.835 (2) (eo), 71.07 (3c), 71.07 (3e), 71.07 (3w), 71.28 (3w), 71.47 (3w) and 560.799 of the statutes; relating to: creating rural enterprise development zones and providing tax incentives to qualified businesses in the zones, creating refundable individual income tax credits for income and capital gains derived from the zones, making appropriations, and providing a penalty.

**2005**

03-14.	A.	Introduced by Representatives <b>Suder, M. Williams, Pettis, Moulton, Wood, Lamb, Nerison, Ott, Gronemus, Kestell, Davis, Mursau, Owens, Freese, Van Roy, Musser, Kreibich, McCormick, Hines, Hahn, Vruwink, Vos, F. Lasee, Petrowski, Ballweg and Gunderson</b> ; cosponsored by Senators <b>Zien, Harsdorf, Roessler, Brown and Darling</b> .	
03-14.	A.	Read first time and referred to committee on Rural Development .....	127
03-16.	A.	Public hearing held.	
03-17.	A.	Fiscal estimate received.	
03-23.	A.	Executive action taken.	
03-24.	A.	Fiscal estimate received.	
03-30.	A.	Report passage recommended by committee on Rural Development, Ayes 5, Noes 0 .....	155
03-30.	A.	Referred to joint committee on Finance .....	155
04-05.	A.	Executive action taken.	
04-05.	A.	Assembly substitute amendment 1 offered by committee on Finance ( <b>LRB s0060</b> ) .....	160
04-05.	A.	Assembly amendment 1 to Assembly substitute amendment 1 offered by committee on Finance ( <b>LRB a0398</b> ) .....	160
04-05.	A.	Report Assembly Amendment 1 to Assembly Substitute Amendment 1 adoption recommended by joint committee on Finance, Ayes 15, Noes 0 .....	161
04-05.	A.	Report Assembly Substitute Amendment 1 adoption recommended by joint committee on Finance, Ayes 9, Noes 6 .....	161
04-05.	A.	Report passage as amended with emergency statement attached, pursuant to s. 16.47 (2), Wisconsin Statutes recommended by joint committee on Finance, Ayes 9, Noes 6 .....	161
04-05.	A.	Referred to committee on Rules .....	161
04-05.	A.	Placed on calendar 4-7-2005 by committee on Rules.	
04-07.	A.	Read a second time .....	171
04-07.	A.	Assembly amendment 1 to Assembly substitute amendment 1 <b>adopted</b> .....	171
04-07.	A.	Assembly substitute amendment 1 <b>adopted</b> .....	172
04-07.	A.	Ordered to a third reading .....	172
04-07.	A.	Refused to suspend rules to read a third time, Ayes 61, Noes 35 .....	172
04-07.	A.	Made a special order of business at 11:01 A.M. on 4-12-2005 pursuant to Assembly Resolution 12 .....	174
04-12.	A.	Read a third time and <b>passed</b> , Ayes 65, Noes 33 .....	181
04-12.	A.	Ordered immediately messaged .....	181
04-13.	S.	Received from Assembly .....	170
04-13.	S.	Read first time and referred to committee on Job Creation, Economic Development and Consumer Affairs .....	170
05-19.	S.	Public hearing held.	
05-25.	S.	Fiscal estimate received.	
10-25.	S.	Withdrawn from committee on Job Creation, Economic Development and Consumer Affairs and rereferred to committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform, pursuant to Senate Rule 46 (2)(c) .....	404
11-16.	S.	Public hearing held.	
12-02.	S.	Senate amendment 1 offered by Senator Brown ( <b>LRB a1643</b> ) .....	472
12-05.	S.	Executive action taken.	
12-05.	S.	Report adoption of Senate Amendment 1 recommended by committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform, Ayes 3, Noes 2 .....	475
12-05.	S.	Report concurrence as amended recommended by committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform, Ayes 3, Noes 2 .....	475
12-05.	S.	Available for scheduling.	

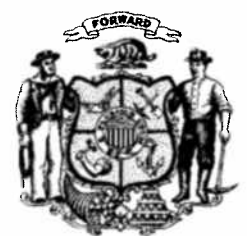
**2006**

03-01.	S.	Placed on calendar 3-2-2006 by committee on Senate Organization.	
03-02.	S.	Senator Stepp added as a cosponsor .....	654
03-02.	S.	Read a second time .....	670
03-02.	S.	Senate amendment 1 <b>adopted</b> .....	670
03-02.	S.	Senate amendment 2 offered by Senator S. Fitzgerald ( <b>LRB a2613</b> ) .....	670
03-02.	S.	Senate amendment 2 <b>adopted</b> .....	671

03-02.	S.	Ordered to a third reading .....	671
03-02.	S.	Rules suspended .....	671
03-02.	S.	Read a third time and <b>concurrred in</b> as amended, Ayes 17, Noes 15 .....	671
03-02.	S.	Ordered immediately messaged .....	675
03-09.	A.	Received from Senate amended and concurrred in as amended (Senate amendments 1 and 2 adopted) .....	966
03-09.	A.	Senate amendment 1 <b>concurrred in</b> .....	967
03-09.	A.	Senate amendment 2 <b>concurrred in</b> .....	967
03-09.	A.	Action ordered immediately messaged .....	967
03-21.	A.	Report correctly enrolled .....	987
04-13.	A.	Presented to the Governor on 4-13-2006 .....	1014
04-19.	A.	Report <b>approved</b> by the Governor with partial veto on 4-19-2006. 2005 Wisconsin Act 361 .....	1022
04-21.	A.	Published 5-2-2006 .....	1027
05-26.	A.	Placed on calendar 5-30-2006 pursuant to Joint Rule 82.	
05-31.	A.	Refused to pass partial veto notwithstanding the objections of the Governor, Ayes 61, Noes 36 .....	1160



# WISCONSIN STATE LEGISLATURE





# State of Wisconsin • DEPARTMENT OF REVENUE

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**Jim Doyle**  
Governor

**Michael L. Morgan**  
Secretary of Revenue

Senate Job Creation, Economic Development and Consumer Affairs Committee Hearing,  
May 19, 2005

## **AB 208 – Job Opportunity Building Development Zones (Rep. Suder and Sen. Zien)**

### *Description of Current Law and Proposed Change*

Under the bill, the Department of Commerce may designate up to 10 rural enterprise development zones and certify businesses in the zone for tax credits. The rural enterprise zones would have to be in areas not exceeding 5,000 acres and could not include any part of a first class city or a city with a population greater than 200,000 (Madison or Milwaukee). The bill does not require that the 5,000 acres be contiguous.

The bill would create three refundable credits for businesses located in one of ten rural enterprise development zones designated by the Department of Commerce. One credit would be available to individuals who own or operate a trade or business in a zone and would equal 6.5% times 20% of the income derived from the operation of the business in the zone. Another credit available to individuals would equal 6.5% of the taxable capital gain derived from the sale or exchange of property located in a zone. The third credit would be available to individuals and corporations and would be based on payroll. A supplemental portion of this credit would be based on personal property taxes, sales and use taxes and training expenses. Claimants that have all payroll and property in the zone would also receive additional credit equal to 6.5% of 20% of the sum of the claimant's zone payroll and adjusted basis of property at the time it was first placed in service in the zone.

### *Fairness/Tax Equity*

- The bill would, in effect, eliminate the personal property tax, sales and use tax and a substantial portion, if not all, of income or franchise tax for businesses that are located in one of the ten zones. Similarly situated businesses operating elsewhere in the state would not receive the tax reduction unless they were to move from their current location to the zone.

### *Impact on Economic Development*

- The credits could encourage businesses to start business or relocate out-of-state operations in a zone. The credits could also encourage businesses to relocate to a zone from another location in the state. While the relocation could help encourage development in a zone, it could also have significant negative impacts on the areas of the state that the businesses are leaving.

- According to a report by Minnesota Center for Rural Policy and Development (CRPD), after one year, a similar program in Minnesota has resulted in approximately 130 JOBZ deals since it took effect in January of 2004. Approximately 35 of the deals involved businesses from Minnesota moving to another location in the state to be within a zone and qualify for credit.
- Another CRPD report discusses a similar program in Pennsylvania in which it was found that 72% of the projects and 63% of the jobs created in the rural North Central zone were from in-state business expansions and relocations rather than business start-ups and out-of-state relocations.
- According to CRPD, Minnesota numbers on the first year of jobs and investments may be misleading because a substantial portion of the jobs and investments are pledged, but not made. Some jobs and investments are not expected to be made for several years. Further, half of the deals created five or fewer jobs and 44% involved modest capital investments of \$500,000 or less.
- The Minnesota program has already been challenged as unconstitutional for violating the U.S. Commerce Clause and for surrendering taxing authority to economic development officials.

#### *Administrative Impact/Fiscal Effect*

- Given the scope of the refundable credits, the Department believes the fiscal effect would be substantial, and could total several million dollars per year, or more. The attached tables show a range of conservative fiscal estimates that could occur under the bill. The tables assume two scenarios: the first that 50% of activities that generate credit under the bill would be attributable to businesses located in Madison or Milwaukee and, therefore, not eligible for credit, and the second that 33% of those activities would be in Madison or Milwaukee. The tables show three possible fiscal effects of 10%, 5% or 1% of the remaining businesses qualifying for credits. The estimates understate the revenue impact of the bill because three components (individual capital gains credit, jobs increased payroll credit and jobs all payroll and property in the zone credit) are not included in the estimates.
- The program created by the bill would not be limited by geographical constraints normally associated with a designated zone. Because the acreage in the zones do not have to be contiguous, subzones could be carved out that would substantially increase the fiscal effect of the proposal. As such, the program could be used to single out businesses with the largest taxes and other compensated expenses for certification.
- For businesses certified by Commerce for all three credits, it is unclear what it means to begin operations in a zone. For example, it is unclear if the sale of a business in a zone to another person would qualify the new owner as starting business operations.
- For purposes of the rural enterprise development zone jobs credit under paragraphs 71.28(3w)(bm)4 and 71.47(3w)(bm)4, it is unclear what is included in the amount paid to upgrade or improve the skills of employees, or if it includes wages of a supervisor who trains new employees. For purposes of paragraphs 71.28(3w)(c) and 71.47(3w)(c), a refund is

allowed for credit that exceeds tax due under 71.02. It should also be allowed for credit that exceeds tax due under section 71.08.

Prepared by: Pam Walgren 266-7817

May 17, 2005

PW:skr

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Attachment



**ASSUME 33% OF BUSINESSES ARE LOCATED IN MADISON OR MILWAUKEE AND NOT ELIGIBLE FOR CREDIT**

Credits	Statewide Numbers	Not in Milwaukee or Madison	10% Qualify	5% Qualify	1% Qualify
Individual Capital Gains	\$ 7,280,000	\$ 4,877,600	\$ 487,760	\$ 243,880	\$ 48,776
Individual Net Income					
Individual & Corporate Jobs					
Sales Tax	1,600,000,000	1,072,000,000	107,200,000	53,600,000	10,720,000
Personal Property Tax	232,300,000	155,641,000	15,564,100	7,782,050	1,556,410
Employer Training Expenses	80,000,000	53,600,000	5,360,000	2,680,000	536,000
Increased Payroll					
100% in Zone					
Estimated Fiscal Effect	\$ 1,874,580,000	\$ 1,251,091,000	\$ 125,109,100	\$ 62,554,550	\$ 12,510,910

**ASSUME 50% OF BUSINESSES ARE LOCATED IN MADISON OR MILWAUKEE AND NOT ELIGIBLE FOR CREDIT**

Credits	Statewide Numbers	Not in Milwaukee or Madison	10% Qualify	5% Qualify	1% Qualify
Individual Capital Gains	\$ 7,280,000	\$ 3,640,000	\$ 364,000	\$ 182,000	\$ 36,400
Individual Net Income					
Individual & Corporate Jobs					
Sales Tax	1,600,000,000	800,000,000	80,000,000	40,000,000	8,000,000
Personal Property Tax	232,300,000	116,150,000	11,615,000	5,807,500	1,161,500
Employer Training Expenses	80,000,000	40,000,000	4,000,000	2,000,000	400,000
Increased Payroll					
100% in Zone					
Estimated Fiscal Effect	\$ 1,919,580,000	\$ 956,150,000	\$ 95,615,000	\$ 47,807,500	\$ 9,561,500