

# 05hr\_SC-JCEDCA\_sb0184\_pt01



(FORM UPDATED: 06/11/2010)

## 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**

**NO**

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

**AVAILABLE FOR THIS BILL**

**SENATE BILL 184 (LRB -2536)**

An Act to repeal 71.10 (3) (ac), 71.10 (4) (gg), 71.10 (4) (grb), 71.10 (4) (grd), 71.10 (4) (gu), 71.30 (3) (eg), 71.30 (3) (emb), 71.30 (3) (eom), 71.30 (3) (eon), 71.49 (1) (eg), 71.49 (1) (emb), 71.49 (1) (eom) and 71.49 (1) (eon); to amend 71.07 (2di) (c), 71.07 (2dm) (h), 71.07 (2dx) (e), 71.07 (3g) (c), 71.10 (4) (i), 71.28 (1di) (c), 71.28 (1dm) (h), 71.28 (1dx) (e), 71.28 (3g) (c), 71.30 (3) (f), 71.47 (1di) (c), 71.47 (1dm) (h), 71.47 (1dx) (e), 71.47 (3g) (c) and 71.49 (1) (f); and to create 20.835 (2) (dz), 71.07 (2di) (gm), 71.07 (2dm) (gm), 71.07 (2dx) (dm), 71.07 (3g) (bm), 71.28 (1di) (gm), 71.28 (1dm) (gm), 71.28 (1dx) (dm), 71.28 (3g) (bm), 71.47 (1di) (gm), 71.47 (1dm) (gm), 71.47 (1dx) (dm) and 71.47 (3g) (bm) of the statutes; relating to: allowing refunds for claiming the development zones capital investment tax credit, development zones credit, development opportunity zones credit, technology zones credit, and making an appropriation.

**2005**

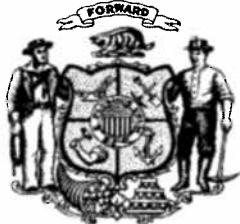
- 04-22. S. Introduced by Senators **Stepp, Kanavas, Zien** and **Roessler**; cosponsored by Representatives **Vos, McCormick, Krawczyk, Kreibich** and **Freese**.
- 04-22. S. Read first time and referred to committee on Job Creation, Economic Development and Consumer Affairs ..... 183
- 05-03. S. Fiscal estimate received.
- 05-03. S. Fiscal estimate received.
- 05-17. S. Fiscal estimate received.
- 05-19. S. Public hearing held.
- 05-20. S. Executive action taken.
- 05-27. S. Pursuant to Senate Rule 46 (2)(c), withdrawn from committee on Job Creation, Economic Development and Consumer Affairs and rereferred to joint committee on Finance ..... 235

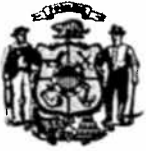
**2006**

- 05-11. S. Failed to pass pursuant to Senate Joint Resolution 1 ..... 853



# WISCONSIN STATE LEGISLATURE





# State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK RD. • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933  
PHONE (608) 266-6466 • FAX (608) 266-5718 • <http://www.dor.state.wi.us>

**Jim Doyle**  
Governor

**Michael L. Morgan**  
Secretary of Revenue

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

**SB 184 – Refundable Development Zone Credits (Sen. Stepp)**

*Description of Current Law and Proposed Change*

Under current law, businesses that are located in a development zone, an enterprise development zone, a development opportunity zone, an agricultural zone or a technology zone may be certified by the Department of Commerce to claim tax credits. The following credits may be claimed by some or all of the businesses certified in these zones:

- The development zone credit, based on jobs created or retained in a zone and expenditures made for environmental remediation.
- The capital investment credit, based on the cost of certain depreciable tangible personal property and amounts expended to acquire, construct, remodel, repair or rehabilitate real property.
- The investment credit, based on the cost of certain depreciable tangible personal property.
- The technology zone credit, based on the property, sales and use and income and franchise taxes of the business.

The credits are nonrefundable so that if the amount of credits exceed the claimant's tax liability, the business may carryforward the remaining credit for 15 years for use in offsetting tax in future years.

Under the bill, the development zone credit, the investment credit, the capital investment credit and the technology zone credit would be refundable in taxable years beginning in 2006.

*Impact on Economic Development*

- A refundable credit provides greater incentive for a business to invest in one of the development zones than a nonrefundable credit because the business is assured that it will receive the full benefit of the credit. With a nonrefundable credit, a business must have tax liability to offset with the credit to obtain the benefit from the credit, diminishing the effectiveness of the incentive.
- However, a grant program may be a better alternative and offer greater incentive than a refundable credit. With a grant, the recipient obtains the funds immediately, rather than waiting until the end of its fiscal year to file a tax return and claim a refund. A grant program could target the same types of investments and economically distressed areas as the development zone programs without the additional administrative burden and tax

preparation expenses associated with claiming the credit on a tax return. Providing economic development incentives through a grant program rather than a tax credit would also help to simplify what has become a complicated tax system. Oversight would not suffer since Commerce would continue to provide oversight of the grant programs.

*Administrative Impact/Fiscal Effect*

- Based on information compiled by the Department on current credit claims, the net fiscal effect of making these credits refundable would be an estimated \$2.4 million annually. However, the actual fiscal effect would depend upon the amount of credits certified by Commerce, when requirements would be met for the businesses to claim the credits on their tax returns, and the amount of credit that would exceed tax liability and be refunded.
- The fiscal effect of unused carryforward credits from prior years continuing to be available to offset tax liability in future years would be a one-time decrease of \$5 million.
- The Department estimates one-time costs for computer programming of \$38,900. The bill does not provide funding for these costs.

*DOR Position*

- Oppose.

Prepared by: Pam Walgren 266-7817

May 17, 2005

PW:skr

L:\session 05-07\hearings\pw\sb184.doc

**MEMORANDUM**

May 3, 2005

**TO:** Joseph Kreye  
Legislative Reference Bureau

**FROM:** Rebecca Boldt  
Department of Revenue

**SUBJECT:** Technical Memorandum on SB 184: Refundable Development Zone Credits

Since taxpayers are still allowed to carry forward unused credits computed for taxable years beginning before January 1, 2006, the following paragraphs need to be retained in the order of credits: sec. 71.10(4)(gg), (grb), (grd), and (gu), sec. 71.30(3)(eg), (emb), (eom), and (eon), and sec. 71.49(1)(eg), (emb), (eom), and (eon). The language should be amended to specify that it relates only to unused credits carried forward from years prior to 2006.

The bill provides that the development zones investment credit, the capital investment credit and the development zones credit are refundable for taxable years beginning after December 31, 2005. This conflicts with current provisions that specify that the credits may offset certain income. For example, secs. 71.07(2di)(b)1, 71.28(1di)(b)1, and 71.47(1di)(b)1 provide that, with one exception, the credit may be offset only against taxes attributable to income from the business operations in the development zone. These paragraphs should be amended to provide that "Except as provided in subd. 2 and par. (gm), the credit . . ." A similar exception should be provided in secs. 71.07(2dm)(hm) and (2dx)(b)(intro.), 71.28(1dm)(hm) and (1dx)(b)(intro.), and 71.47(1dm)(hm) and (1dx)(b)(intro.).

The proposed legislation makes no provision for the funding of the costs involved in administering the activities required. The Department anticipates increased costs for computer programming. If the author wishes to provide funding, appropriation language could be developed and costs allocated in the following manner:

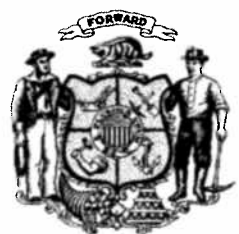
	<u>Chapter 20</u>	<u>Amount</u>
one-time	s. 20.566 (1) (a)	\$38,900

If you have any questions regarding this technical memorandum, please contact Pam Walgren at 266-7817; for administrative costs contact Julie Feavel at 267-9892.

cc: Senator Stepp



# WISCONSIN STATE LEGISLATURE







**Wisconsin  
Manufacturers  
& Commerce**

Memo

**TO: Senate Committee on Job Creation, Economic  
Development and Consumer Affairs**

**FROM: Jeff Schoepke, Director of Tax and Corporate  
Policy**

**DATE: May 19, 2005**

**RE: Senate Bill 184**

---

Thank you for the opportunity to provide comments today on Senate Bill 184 (SB 184) which makes tax credits for development and technology zones refundable. **WMC strongly supports SB 184 and urges the Committee on Job Creation, Economic Development and Consumer Affairs to recommend passage to the full Senate.**

As the Committee is aware, WMC is a statewide business trade association of more than 4000 members. More than a quarter of Wisconsin's private sector employees work for WMC members. WMC membership spans every sector of Wisconsin's economy from manufacturing to transportation to agri-business and banking.

Refundable tax credits will encourage entrepreneurial activity by targeting incentives when the success of emerging companies is at greatest risk. Companies utilizing credit programs are often start-up or rapid growth companies, the sort of company which also often creates the high paying, family supporting jobs needed in this state. Unfortunately existing tax credit programs do not address the economic timing realities faced by such companies.

Refundable credits reward entrepreneurial initiative with an immediate economic incentive aimed at accelerating growth of the company or companies involved in these programs. The public policy appeal of tax credit programs lies in the fact that credits are earned and are awarded after the fact, not upfront.

Thank you for your consideration of these comments.



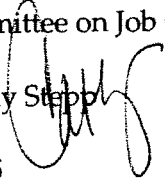


State Senator

*Cathy Stepp*

---

WISCONSIN'S 21ST DISTRICT

TO: Senate Committee on Job Creation, Economic Development & Consumer Affairs  
FROM: Senator Cathy Stepp   
DATE: May 19, 2005  
RE: Senate Bill 184 – Refundable Tax Credits For Economic Development

---

Thank you Chairman Kanavas and members of the Committee for allowing me to come before you today to explain why we hope you will support Senate Bill 184. Senator Stepp regrets that she cannot be here herself, but made a commitment to speak to the YWCA in Racine prior to the scheduling of this hearing.

Senate Bill 184 is a very simple yet important bill that would make many of our economic development tax credits refundable.

The purpose of this bill is twofold. First, it will give Wisconsin a more competitive and meaningful incentive to attract and expand businesses in comparison to what other states offer. Second, the bill will give employers who are considering a decision to locate or expand here a more attractive and useful incentive than what we currently offer.

Our current Development Zone and Technology Zone tax credits are not providing the assistance that we originally intended. The nature of many of these companies is such that they do not typically have a large net tax liability at startup. As a consequence, it often takes many years before they are profitable enough to utilize the tax credits designed to stimulate their growth, and help them create jobs.

The tax credits offered by these programs were intended to be an immediate shot in the arm for business that grow our economy. Unfortunately, history has shown these credits to be more like a slow-release pill that entrepreneurs must take over and over again, year after year, to get any effect. These credits were designed to accelerate job growth by allowing employers to capture an immediate incentive, so they can reinvest the capital to create more jobs. The effectiveness of this credit is greatly diminished when businesses have to wait years or even decades to gain any benefit. The nature of today's fast-paced economy, combined with our current unemployment statistics, demonstrate why we need to create jobs in real-time right now – not five or seven years in the future.

Senate Bill 184 represents a bipartisan concept. Governor Doyle recognized the need to reform our existing tax credits to make them refundable in his GROW Wisconsin plan. The

Governor correctly noted the following in his GROW plan with respect to Technology Zone Tax Credits:

*"Currently, flaws in the program prevent companies without income tax liabilities from receiving the full benefit of the tax credit. In addition, the tax credits are useless to companies that are not yet profitable – and many technology start-ups do not generate profits for many years...the Governor proposes making these tax credits refundable to help start-up companies that do not yet have profits."*

Senator Stepp appreciates the Doyle Administration's recognition that our current tax credits do not meet their intended purpose, and she welcomes the Governor's support for the solution offered by Senate Bill 184 – making the tax credits refundable.

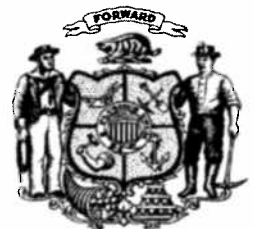
It is important to remember that these tax credits are not a freebie, a handout or a giveaway to businesses. The tax credits are allocated on a competitive basis whereby entrepreneurs must earn them by demonstrating that they meet benchmarks relating to the number of full-time jobs created, the amount invested by the employer and the likelihood of attracting other economic development. Further, the Department of Commerce may reduce or eliminate the tax credits if a business does not comply with the eligibility criteria.

Finally, we would like to say a few words about the Fiscal Estimate for Senate Bill 184. The Department of Revenue estimates that the difference in cost between making the credits refundable and forcing them to be carried forward is \$2.4 million per year. Senator Stepp believes that leaving this much money for economic development on the table each year is exactly why we need to enact this bill. We believe this small investment in job creation will pay for itself many times over in the form of increased income and sales taxes.

Senator Stepp thanks you in advance for your thoughtful consideration of Senate Bill 184, and is hopeful the committee will see fit to further the bill for consideration by the full Senate.



# WISCONSIN STATE LEGISLATURE





## **Wisconsin Economic Development Association Inc.**

**TO: Members, Senate Committee on Job Creation, Economic Development & Consumer Affairs**

**FROM: Jim Hough, Legislative Director  
Peter Thillman, President  
James Otterstein, President-Elect  
Rob Kleman & Andy Lisak, Legislative Co-Chairs**

**DATE: May 19, 2005**

**RE: SUPPORT FOR SENATE BILL 184**

The Wisconsin Economic Development Association (WEDA) is a statewide association consisting of over 400 economic development professionals dedicated to advocating policies and initiatives that help to expand and grow Wisconsin's economy. **WEDA strongly supports and respectfully urges that the Committee recommend passage of SB 184 in order to provide refundable tax credits for development and technology zones.**

Refundable tax credits will encourage greater entrepreneurial activity by targeting the incentives when and where they are most needed by emerging companies. The Technology Zone Program, for example, targets growth in technology related industries. Many of these companies are start-ups or rapid growth companies, which also create the high-end jobs Wisconsin desperately needs. Unfortunately existing tax credit programs do not address the economic reality faced by these emerging companies.

Wisconsin's growth companies need assistance in the early stages of development. While current tax credit programs do reward participating companies, the benefit is delayed up to fifteen years.

Making tax credits refundable rewards entrepreneurial initiative with an immediate economic incentive aimed at accelerating growth of the company or companies involved in these programs. These are **not** grants. The attractiveness of tax credit programs is that the credits have to be earned and are awarded after the fact, not upfront.

Additionally, Community Development Zones:

- Are geared to small business development in distressed areas.
- Provide job creation for disadvantaged populations.
- Assist environmental remediation.
- Promote social capital formation.

As to the purported fiscal impact, one assumes that if tax credit programs are adopted and in place that it is also assumed that they will be used and, therefore, budgeted for. This proposal makes those tax credit programs truly meaningful.

Thank you.

**PEOPLE • JOBS • PROFITS**

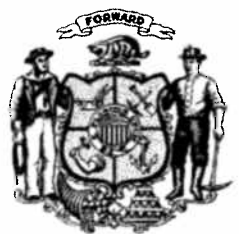
4600 American Parkway, Ste. 208

Madison, WI 53718

608-255-5666



# WISCONSIN STATE LEGISLATURE



**TO: Members, Senate Committee on Job Creation & Economic Development**

**FROM: Andy Lisak, Executive Director, The Development Association of Superior-Douglas County (Also, Board Member & Legislative Co-Chair, WEDA)**

**DATE: May 19, 2005**

**RE: Support for SB 184—Refundable Tax Credits**

[While we support SB 184 in its entirety, I will limit my remarks in this paper mostly to the experience of the Superior Life Technology Zone and its importance to citizens of NW Wisconsin.]

The Superior Life Technology Zone was provided with \$5 million in tax credits under the Wisconsin Technology Development Zone Program to award to companies in Northwest Wisconsin that develop new technology or introduce new technology in their operations. The Zone includes Ashland, Bayfield, Burnett, Douglas, Iron and Washburn Counties.

The purpose of the Wisconsin Technology Development Zone Program is to attract, promote and expand high technology in Wisconsin by providing tax credits to high-technology businesses. The amount of tax credits a business was to receive under the Program was originally based on the amount of Wisconsin corporate income tax, property tax and sales tax the business expected to pay in the future. Since S Corporations, Limited Liability Companies and Partnerships do not pay Wisconsin corporate income tax (the owners of such entities pay income tax individually on their share of the businesses profits), the size of their tax was based only on their property tax and sales tax payments. The Program, as it was originally implemented, did not take into consideration the business-related income tax the individual business owners paid.

Act 72 (AB 520) which was passed by the Legislature and signed by the Governor addressed this issue and changed the way the Department of Commerce will calculate the tax credits. We appreciate the Legislature's and the Governor's support on this issue.

However, the ability of S Corporations, Limited Liability Companies and Partnerships in Northwest Wisconsin to fully benefit from the Technology Development Zone Program is impaired because of issues related to where the owners of these businesses reside. Many businesses in Douglas County (and other counties within the Superior Life Technology Zone) have owners who reside in Minnesota (or other states). Because of income tax reciprocity, Wisconsin tax credits issued to an S Corporation, Limited Liability Company or Partnership under the Technology Development Zone Program are of no use to an owner who is domiciled in Minnesota. Thus the tax credits, in situations like this, fail to provide the incentive the Program intended.

We face the same issues regarding tax credits offered by Superior's Community Development Zone. We have been unsuccessful in using the CDZ Program with at least two of our manufacturers (one a window manufacturer; the other a plastics manufacturer) because both are incorporated as S Corporations and have owners who reside in Minnesota.

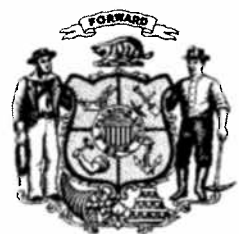
In order to attract and nurture high technology business within the Superior Life Technology Zone and manufacturers in Superior's Community Development Zone, we request that the tax credits be refundable, as provided in SB 184, and respectfully urge your support for this excellent piece of economic development legislation.

Thank you.





# WISCONSIN STATE LEGISLATURE



Senate Committee on Job Creation, Economic Development and  
Consumer Affairs

Paper Ballot: Senator Decker  
Deadline: Friday, 5-20-05, 5:00 PM

Please return your vote via paper ballot to Senator Kanavas' office (10 South) by 5:00 PM, Friday, May 20th, 2005.

Thank you.

**MOTION**

Recommend introduction and adoption of Senate Amendment 1 to Senate Bill 184  
*(Attached is a copy of Senate Amendment 1 to Senate Bill 184)*

Aye  \_\_\_\_\_ No  \_\_\_\_\_

**MOTION**

Recommend Senate Bill 184, relating to: allowing refunds for claiming the development zone capital investment tax credit, development zones credit, development opportunity zones credit, technology zones credit, for passage as amended. *(Attached is a copy of Senate Bill 184)*

Aye  \_\_\_\_\_ No  \_\_\_\_\_

Signature Russ Decker

Senate Committee on Job Creation, Economic Development and  
Consumer Affairs

Paper Ballot: Senator Lassa  
Deadline: Friday, 5-20-05, 5:00 PM

Please return your vote via paper ballot to Senator Kanavas' office (10 South) by 5:00 PM, Friday, May 20th, 2005.

Thank you.

**MOTION**

Recommend introduction and adoption of Senate Amendment 1 to Senate Bill 184  
*(Attached is a copy of Senate Amendment 1 to Senate Bill 184)*

Aye  \_\_\_\_\_ No  \_\_\_\_\_

**MOTION**

Recommend Senate Bill 184, relating to: allowing refunds for claiming the development zone capital investment tax credit, development zones credit, development opportunity zones credit, technology zones credit, for passage as amended. *(Attached is a copy of Senate Bill 184)*

Aye \_\_\_\_\_ No  \_\_\_\_\_

Signature Julie Lassa

Senate Committee on Job Creation, Economic Development and  
Consumer Affairs

Paper Ballot: Senator Reynolds  
Deadline: Friday, 5-20-05, 5:00 PM

Please return your vote via paper ballot to Senator Kanavas' office (10 South) by 5:00 PM, Friday, May 20th, 2005.

Thank you.

**MOTION**


Recommend introduction and adoption of Senate Amendment 1 to Senate Bill 184  
*(Attached is a copy of Senate Amendment 1 to Senate Bill 184)*

Aye   X                        No \_\_\_\_\_

**MOTION**

Recommend Senate Bill 184, relating to: allowing refunds for claiming the development zone capital investment tax credit, development zones credit, development opportunity zones credit, technology zones credit, for passage as amended. *(Attached is a copy of Senate Bill 184)*

Aye \_\_\_\_\_                      No   X  

Signature \_\_\_\_\_  


Senate Committee on Job Creation, Economic Development and  
Consumer Affairs

Paper Ballot: Senator Zien  
Deadline: Friday, 5-20-05, 5:00 PM

Please return your vote via paper ballot to Senator Kanavas' office (10 South) by 5:00 PM, Friday, May 20th, 2005.

Thank you.

**MOTION**

Recommend introduction and adoption of Senate Amendment 1 to Senate Bill 184  
*(Attached is a copy of Senate Amendment 1 to Senate Bill 184)*

Aye ✓                      No \_\_\_\_\_

**MOTION**

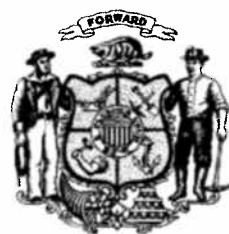
Recommend Senate Bill 184, relating to: allowing refunds for claiming the development zone capital investment tax credit, development zones credit, development opportunity zones credit, technology zones credit, for passage as amended. *(Attached is a copy of Senate Bill 184)*

Aye ✓                      No \_\_\_\_\_

Signature Paul A Zien



# WISCONSIN STATE LEGISLATURE



**Shepherd, Jeremy**

---

**From:** Rose, Laura  
**Sent:** Wednesday, May 25, 2005 11:25 AM  
**To:** Shepherd, Jeremy  
**Subject:** relevant rules

A handwritten note consisting of the text "SB 184" enclosed within a hand-drawn oval.

Hi, Jeremy,

Here are copies of the relevant rules (see below, in red).

Senate Rule 27 does not specify a time period within which the committee report must be made. (This may be contrasted with Assembly rule 17m, which provides that a committee chairperson shall report a proposal to the assembly within 7 working days after the committee takes executive action on the proposal if the committee recommends that the proposal be adopted, passed, or concurred in.)

Senate Rule 41 specifies that you must wait 7 days following the public hearing to withdraw a bill from committee.

Senate Rule 46 confers authority on the senate president to withdraw a proposal from committee.

So, there you have it!

Give me a call if you would like to discuss this further. I just thought you might like to have these rules in writing for your reference.

Take care,

Laura

Laura Rose  
Deputy Director  
Legislative Council Staff  
ph. 608.266.9791; fax 608.266.3830  
laura.rose@legis.state.wi.us

**SENATE RULE 27. Committee reports.** (1) The chairperson of the committee to which any proposal is referred shall report, in the format specified by the chief clerk, the action of the committee and the date thereof, and shall authenticate the same by personal signature.

**SENATE RULE 41. Rereference in order; withdrawing from committee.** (1) (a) A proposal or other matter may be rereferred at any time prior to its passage, except that a motion to withdraw from committee may not take effect during the 7 days preceding any scheduled committee hearing or the 7 days following the date on which a committee

hearing is held.

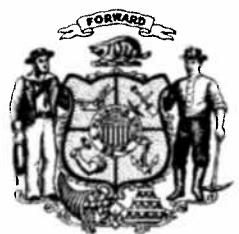
**SENATE RULE 46 Presentation of proposals and other matters.**

(2)(c) After the time of initial referral by the president under rule 36 (2), the president may, with the consent of the chairperson of the standing committee, withdraw a proposal or appointment from the standing committee to which it is referred and rerefer it to another standing committee, except that such a withdrawal may not take effect during the 7 days preceding any scheduled committee hearing or the 7 days following the date on which a committee hearing is held. Rereferral under this rule may be made at any time, but may not be used to satisfy section 13.093 (1) of the statutes.





# WISCONSIN STATE LEGISLATURE



# MEMORANDUM

TO: Robert J. Marchant  
Chief Clerk and Director of Operations

FROM: President Lasee

DATE: May 27, 2005

RE: Rereferral of Proposals

Pursuant to Senate Rule 46 (2) (c), I am writing to direct that Senate Bill 184 be pulled from the Job Creation Economic Development and Consumer Affairs and referred to the Joint Finance Committee. I have obtained the consent of the appropriate chairperson, as indicated by the signature below.

-----

As the chairperson of the committee with jurisdiction over the proposal described above, I consent to the withdrawal of the proposal as described above.



---

Senator Ted Kanavas