

1999 DRAFTING REQUEST

Bill

Received: 10/12/98

Received By: kahlepj

Wanted: Soon

Identical to LRB:

For: Administration-Budget 6-7329

By/Representing: Justus

This file may be shown to any legislator: NO

Drafter: shoveme

May Contact:

Alt. Drafters:

Subject: Tax - corp. inc. and fran.
Econ. Development - bus. dev.
Econ. Development - misc.

Extra Copies:

Topic:

DOA:.....Justus - Certification for target group members under the development zones tax credit

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	kahlepj 10/12/98			_____			State
/P1	shoveme 11/10/98	wjackson 11/11/98	ismith 11/11/98	_____	lrb_docadmin 11/11/98		

FE Sent For:

<END>

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1?	<i>(kahlepj)</i> 10/12/98 shoveme	<i>11-11-11</i> king	<i>IS</i> 11/11	<i>IS/LP</i> 11/11			

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- Solution:
1. Raise the level associated with the target group hires from \$6,500 to \$8,000.
 2. Raise the level associated with non-target group hires and retention from \$4,000 to \$6,000.
 3. EDZ projects, which represent large capital expenditures, would allow up to \$8,000 for retaining jobs.

Proposed change: Amend § 560.785 (1) (b) to read:

560.785(1)(b)

(b) Allow a person to claim up to ~~\$6,500~~ \$8,000 in tax benefits during the time that an area is designated as a development zone or as an enterprise development zone for any of the following:

1. Creating a full-time job that is filled by a member of the target population.
2. Retaining a full-time job ~~that is filled by a member of the target population~~ in a designated enterprise development zone in which significant capital investment is made as determined by the department to retain those employees.

(c) Allow a person to claim up to ~~\$4,000~~ \$6,000 in tax benefits during the time that an area is designated as a development zone or as an enterprise development zone for any of the following:

1. Creating a full-time job that is filled by an individual who is not a member of the target population.
2. Retaining a full-time job that is filled by an individual who is not a member of the target population.

G. Development Zones -- Certification Requirement.

med
Delete the 90 day certification requirement for target group members. In the past credits were based upon actual eligible wages which began on the date of hire after being certified as eligible for credits. This is no longer the case and the 90 day requirement is one that puts an additional hardship upon the employer and penalizes them if they indeed hire a member of a target group and cannot access the credits because of the time period. Also more and more businesses are contracting with professional human resource firms for their payroll. Although

the employee in question is technically the employee of the firm that the certified business contracts with for services, the certified employer is indeed creating the jobs and thus should be able to receive the benefits of the tax credits.

Proposed change: Amend § 71.07 (2dj) (am) 3., 71.28 (1dj) (am) 3., and 71.47 (1dj) (am) 3. as follows:

71.07 (2dj) (am) 3. Modify the rule for certification under section 51(d) (16) (A) of the internal revenue code to allow certification within the 90 day period beginning with the first day of employment of the employe ~~by the claimant.~~

H. Development Zones -- Exception to Full-Time Jobs Requirement

Enable the department, by rule, to create exceptions to the full-time jobs requirement. Some development zones are in tourism areas, and employ people for less than a full year. Other businesses have a full-time work week of fewer than 40 hours. Under current law, these businesses cannot claim any jobs credits because they do not fulfill the requirements of the credit.

Proposed change: Create § 560.785 (2) (c):

(c) The requirement that jobs for which credits are allocated be full-time as defined in § 560.70 (2m).

V. Division of International Development

A. Conversion to the Euro:

On January 1, 1999, the euro will become the single currency for Austria, Belgium, France, Finland, Germany, Ireland, Luxembourg, Portugal, Spain, and the Netherlands. Until 2002, each member state's currency will continue to exist, but only as a denomination of the euro, and not as an independent currency.

Enforceability issues could arise concerning contracts entered into before the conversion date and stated in terms of currency that no longer exists after the conversion date. For contracts governed by the laws of the member states, a European Union regulation provides that the introduction of the euro does not give either party the right to terminate performance under the contract.



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0549/P1

MES

Handwritten initials and signatures: WJ, KMG, KMA

DOA:.....Justus - Certification for target group members under the development zones tax credit

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

TAK would not allow me to print w/ line #s

SOON

Print w/line #s

do not pass

AN ACT ... relating to: the certification requirement for target group members under the development zones jobs credit.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

The department of commerce (~~DOA~~^{department}) administers 3 types of development zone programs: 1) the development zone program; 2) the development opportunity zone program; and 3) the enterprise development zone program. Generally, after ~~DOA~~^{the department} designates an area as one of the 3 types of development zones, a person or corporation that conducts or that intends to conduct economic activity in the designated zone is or may be certified by the department as eligible for certain tax credits.

The calculation of the current development zones jobs credit is based in part on in a claimant's hiring "members of a targeted group", as defined ~~under~~ the Internal Revenue Code (IRC), including persons to whom state law regarding advance notice of plant closings applies, who are certified by ~~DOA~~ and who are also subject to certification rules under the IRC. The certification of an employe under current law must occur within the 90-day period beginning with the first day of employment of the employe by the claimant. ^{the department}

This bill deletes the requirement that certification must occur within this 90-day period. Under the bill, the certification must occur ~~with~~ the period beginning

within

with the first day of employment of the employe. The changes in this bill also apply to the development zones credit.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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

SECTION 1. 71.07 (2dj) (am) 3. of the statutes is amended to read:

71.07 (2dj) (am) 3. Modify the rule for certification under section 51 (d) (16) (A) of the internal revenue code to allow certification within the 90-day period beginning with the first day of employment of the employe ~~by the claimant.~~ *plain space*

History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299. History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299.

SECTION 2. 71.28 (1dj) (am) 3. of the statutes is amended to read:

71.28 (1dj) (am) 3. Modify the rule for certification under section 51 (d) (16) (A) of the internal revenue code to allow certification within the 90-day period beginning with the first day of employment of the employe ~~by the claimant.~~ *plain space*

History: 1987 a. 312; 1987 a. 411 ss. 88, 130 to 139; 1987 a. 422; 1989 a. 31, 44, 56, 100, 336, 359; 1991 a. 39, 292; 1993 a. 16, 112, 232, 491; 1995 a. 2; 1995 a. 27 ss. 3399r to 3404c, 9116 (5); 1995 a. 209, 227; 1997 a. 27, 41, 237, 299. History: 1987 a. 312; 1987 a. 411 ss. 88, 130 to 139; 1987 a. 422; 1989 a. 31, 44, 56, 100, 336, 359; 1991 a. 39, 292; 1993 a. 16, 112, 232, 491; 1995 a. 2; 1995 a. 27 ss. 3399r to 3404c, 9116 (5); 1995 a. 209, 227; 1997 a. 27, 41, 237, 299.

SECTION 3. 71.47 (1dj) (am) 3. of the statutes is amended to read:

71.47 (1dj) (am) 3. Modify the rule for certification under section 51 (d) (16) (A) of the internal revenue code to allow certification within the 90-day period beginning with the first day of employment of the employe ~~by the claimant.~~ *plain space*

History: 1987 a. 312, 411, 422; 1989 a. 31, 44, 56, 100, 336, 359; 1991 a. 39, 292, 315; 1993 a. 16, 112; 1995 a. 27 ss. 3407m to 3412m, 9116 (5); 1995 a. 209, 227, 417; 1997 a. 27, 41, 237. History: 1987 a. 312, 411, 422; 1989 a. 31, 44, 56, 100, 336, 359; 1991 a. 39, 292, 315; 1993 a. 16, 112; 1995 a. 27 ss. 3407m to 3412m, 9116 (5); 1995 a. 209, 227, 417; 1997 a. 27, 41, 237.

SECTION 9343. Initial applicability; revenue.

(1) DEVELOPMENT ZONES JOBS CREDIT, CERTIFICATION REQUIREMENT. The treatment of sections 71.07 (2dj) (am) 3., 71.28 (1dj) (am) 3. and 71.47 (1dj) (am) 3. of the statutes first applies to taxable years beginning on January 1 of the year in which this subsection takes effect, except that if this subsection takes effect after July 31 the

treatment of sections 71.07 (2dj) (am) 3., 71.28 (1dj) (am) 3. and 71.47 (1dj) (am) 3. of the statutes first applies to taxable years beginning on January 1 of the year following the year in which this subsection takes effect.

(END)



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0549/P1
MES:wlj&kmg:ijs

DOA:.....Justus - Certification for target group members under the
development zones tax credit

FOR 1999-01 BUDGET -- NOT READY FOR INTRODUCTION

- 1 **AN ACT ...; relating to:** the certification requirement for target group members
2 under the development zones jobs credit.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

The department of commerce (department) administers 3 types of development zone programs: 1) the development zone program; 2) the development opportunity zone program; and 3) the enterprise development zone program. Generally, after the department designates an area as one of the 3 types of development zones, a person or corporation that conducts or that intends to conduct economic activity in the designated zone is or may be certified by the department as eligible for certain tax credits.

The calculation of the current development zones jobs credit is based in part on a claimant's hiring "members of a targeted group", as defined in the Internal Revenue Code (IRC), including persons to whom state law regarding advance notice of plant closings applies, who are certified by the department and who are also subject to certification rules under the IRC. The certification of an employe under current law must occur within the 90-day period beginning with the first day of employment of the employe by the claimant.

This bill deletes the requirement that certification must occur within this 90-day period. Under the bill, the certification must occur within the period

beginning with the first day of employment of the employee. The changes in this bill also apply to the development zones credit.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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

1 **SECTION 1.** 71.07 (2dj) (am) 3. of the statutes is amended to read:

2 71.07 (**2dj**) (am) 3. Modify the rule for certification under section 51 (d) (16) (A)
3 of the internal revenue code to allow certification within the ~~90-day~~ period beginning
4 with the first day of employment of the employe ~~by the claimant~~.

5 **SECTION 2.** 71.28 (1dj) (am) 3. of the statutes is amended to read:

6 71.28 (**1dj**) (am) 3. Modify the rule for certification under section 51 (d) (16) (A)
7 of the internal revenue code to allow certification within the ~~90-day~~ period beginning
8 with the first day of employment of the employe ~~by the claimant~~.

9 **SECTION 3.** 71.47 (1dj) (am) 3. of the statutes is amended to read:

10 71.47 (**1dj**) (am) 3. Modify the rule for certification under section 51 (d) (16) (A)
11 of the internal revenue code to allow certification within the ~~90-day~~ period beginning
12 with the first day of employment of the employe ~~by the claimant~~.

13 **SECTION 9343. Initial applicability; revenue.**

14 (1) DEVELOPMENT ZONES JOBS CREDIT, CERTIFICATION REQUIREMENT. The treatment
15 of sections 71.07 (2dj) (am) 3., 71.28 (1dj) (am) 3. and 71.47 (1dj) (am) 3. of the statutes
16 first applies to taxable years beginning on January 1 of the year in which this
17 subsection takes effect, except that if this subsection takes effect after July 31 the
18 treatment of sections 71.07 (2dj) (am) 3., 71.28 (1dj) (am) 3. and 71.47 (1dj) (am) 3.

1 of the statutes first applies to taxable years beginning on January 1 of the year
2 following the year in which this subsection takes effect.

3 (END)

NOTE TO DRAFTING FILE for LRB-0549:

Per the drafter, this draft has been redrafted to a “/1” as no problems remain in the draft that require resolution before introduction of the budget bill. There are no changes between the “/PX” and the “/1.”

DOA:.....Justus - Certification for target group members under the
development zones tax credit

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5 **SECTION 2.** 71.28 (1dj) (am) 3. of the statutes is amended to read:

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1 of the statutes first applies to taxable years beginning on January 1 of the year
2 following the year in which this subsection takes effect.

3 (END)