

**1999 DRAFTING REQUEST**

**Bill**

Received: **11/12/98**

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: **kahlepj**

May Contact:

Alt. Drafters:

Subject: **Econ. Development - bus. dev.**  
**Econ. Development - misc.**

Extra Copies:

**Topic:**

DOA:.....Justus - Combining the tax benefit allocation caps under two development zones programs

**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 11/13/98	chanaman 11/16/98		_____			State
/1			martykr 11/16/98	_____	lrb_docadmin 11/16/98		State
/2	kahlepj 11/19/98	chanaman 11/20/98	lpaasch 11/20/98	_____	lrb_docadmin 11/20/98		

FE Sent For:

<END>

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/?	kahlepj 11/13/98	chanaman 11/16/98		_____			State
/1		A-11-20 Kmg	martykr 11/16/98	_____	lrb_docadmin 11/16/98		

FE Sent For:

11/20LP. 11/20LP  
JP  
<END>

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1?	kahlepj	1-11-16	<i>km/16</i>	<i>QS + / km/16</i>			

FE Sent For:


<END>

**CORRESPONDENCE MEMORANDUM**

**STATE OF WISCONSIN**  
**Department of Administration**

**Date:** November 11, 1998

**To:** Steve Miller  
Chief, Legislative Reference Bureau

**From:** Sarah Justus   
State Budget Office

**Subject:** Drafting request; Department of Commerce, development zone allocation

The intent of this draft is to create an overall tax credit allocation cap for both the community development zone (CDZ) and enterprise development zone (EDZ) programs. The department would have flexibility as to how to allocate CDZs and EDZs within that cap. We'd also like to increase the total number of zones under the EDZ program, but remove the provision that the department may request more zones from the Joint Finance Committee.

Current allocation cap:

Currently, the CDZ program has an allocation cap under s. 560.745 (2) (a) of \$33.155 million. The EDZ program has no allocation cap, however it has a de facto cap of \$192 million because the number of zones is capped at 64 and the total allocation per zone is capped at \$3 million. We'd like to create an allocation cap that covers both programs of \$280.2 million. The department can allocate between CDZs and EDZs within the cap. We do not wish to change the \$3 million cap for each EDZ.

Cap the number of zones:

Currently, the EDZ program has a cap on the number of zones of 64 under s. 560.797 (2) (d). We'd like to increase the cap to 89. Under the same section, the department can submit a request to the Joint Committee on Finance to increase the number of EDZs. We would like to remove that provision. Any future increases would have to be passed in legislation. We do not wish to change the cap on the # of CDZs.

Sept → 42



State of Wisconsin  
1999 - 2000 LEGISLATURE

LRB-0843

*PJK* *cmj* *King*

DOA:.....Justus - Combining the tax benefit allocation caps under two development zones programs

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

*SOON*  
*(Friday the 13th)*

*do not*  
*you cut*

- 1 AN ACT *x*: relating to: tax benefits under the development zone program and the
- 2 enterprise development zone program.

*Analysis by the Legislative Reference Bureau*  
**COMMERCE AND ECONOMIC DEVELOPMENT**  
**ECONOMIC DEVELOPMENT**

The department of commerce administers three 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 three 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, called development zones credits, based on the creation or retention of jobs and on expenses incurred to remediate environmental problems.

Under current law, the department may designate up to 22 development zones under the development zone program. The department allocates to each development zone that it designates a portion of \$33,155,000, which is the total amount of tax credits that may be claimed under ~~the~~ program. Under the enterprise development zone program, the department may designate no more than 50 enterprise development zones unless the department obtains the approval of the joint committee on finance to designate more. (The department has obtained the

*that*

*(JCF)*

.....  
program

approval to designate up to 64 enterprise development zones.) The total amount of tax credits that may be claimed under the enterprise development zone is not specified in the statutes, although the statutes specify that the department may allocate to each enterprise development zone no more than \$3,000,000 in tax credits.

The bill changes the number of enterprise development zones that the department may designate to up to 89 and eliminates the provision that the department may obtain the approval of the joint committee on finance to designate more. In addition, the bill eliminates the limit on the total tax credits that may be claimed under the development zone program and specifies that the total tax credits that may be claimed under the development zone program and the enterprise development zone program together is \$280,200,000. The bill retains the \$3,000,000 limit on tax credits that may be allocated to each enterprise development zone.

JCF

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. 560.745 (2) (a) of the statutes is amended to read:

2 560.745 (2) (a) When the department designates a development zone under s.  
3 560.71, it shall establish a limit for tax benefits for the development zone determined  
4 by allocating to the development zone a portion of \$33,155,000 the total amount of  
5 tax benefits specified in s. 560.787.

History: 1987 a. 328; 1989 a. 31, 336; 1993, ~~a. 16~~; 1995 a. 209; 1997 a. 27, 103.

6 SECTION 2. 560.787 of the statutes is created to read:

7 **560.787 Limit on tax benefits.** The combined total of the tax benefits that  
8 may be claimed under the development zone program under ss. 560.70 to 560.78 and  
9 the enterprise development zone program under s. 560.797 may not exceed  
10 \$280,200,000.

11 SECTION 3. 560.797 (2) (d) of the statutes is amended to read:

12 560.797 (2) (d) The department may not designate ~~more than 50~~ up to 89  
13 enterprise development zones ~~unless the department obtains the approval of the~~  
14 ~~joint committee on finance to do so.~~

History: 1995 a. 27 ss. 6936s to 6936v, 9130 (4); 1995 a. 209, 227, 417; 1997 a. 3, 27, 39.

1           **SECTION 4.** 560.797 (5) (b) of the statutes is amended to read:

2           560.797 (5) (b) When the department designates an area as an enterprise  
3           development zone under this section, the department shall establish a limit, not to  
4           exceed \$3,000,000 and subject to the limit under s. 560.787, for tax benefits for the  
5           enterprise development zone.

6           **History:** 1995 a. 27 ss. 6936s to 6936v, 9130 (4); 1995 a. 209, 227, 417; 1997 a. 3, 27, 39.


(END)

**CORRESPONDENCE\MEMORANDUM**

**STATE OF WISCONSIN  
Department of Administration**

**Date:** November 16, 1998

**To:** Steve Miller  
Chief, Legislative Reference Bureau

**From:** Sarah Justus  
State Budget Office 

**Subject:** Modifications to LRB Draft #843; Brownfields/EDZs

The intent of this modification is to create an exception in the Enterprise Development Zone criteria so the department would have the flexibility to designate a zone for environmental remediation of a brownfield even if it didn't meet the jobs or economic distress criteria. We'd also like to increase the caps relating to EDZs and make requirements on the department for designating zones. Below are the suggested changes to implement this.

560.797 (1) – add definition of “Environmental Remediation” and “Brownfield” as shown under s. 71.07 (2dx) (a)

560.797 (2) (a) – Criteria for designation as an enterprise development zone: the project should include all of the following:

1. The project serves a public purpose
2. The project is not likely to occur or continue without the department's designation
3. The project should meet one of the following qualifications:
  - a. The project will likely retain or increase employment in the state and will likely positively effect an area that meets three of the following:  
1-7(insert current criteria under 560.797 (2) (a) (4) (a-g)
  - b. The project will likely provide for significant environmental remediation of a brownfield.

560.797 (2) (b) – Add to the items considered the environmental remediation of a brownfield likely to result from the project.

560.797 (3) (b) (4) – Add reference to the amount a person proposes to invest in environmental remediation of a brownfield.

Change the cap on the total allocations between DZs and EDZs to \$300 million instead of \$280,200,000. Change the cap on the total number of EDZs that may be designated to 100 instead of 89. Require the department to designate at least ten of the one hundred zones for projects that will remediate a brownfield.

Feel free to call me with any questions you might have.  
Sarah Justus  
6-7329





State of Wisconsin  
1999 - 2000 LEGISLATURE

LRB-0843/2  
PJK:cmh&kmg:km

h m is run

DOA:.....Justus - Combining the tax benefit allocation caps under two  
development zones programs

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

SOON  
(11-19)  
J-note

do not  
gen cat

- 1 AN ACT relating to: tax benefits under the development zone program and the
- 2 enterprise development zone program.

**Analysis by the Legislative Reference Bureau**  
**COMMERCE AND ECONOMIC DEVELOPMENT**

**ECONOMIC DEVELOPMENT**

The department of commerce administers three 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 three 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, called development zones credits, based on the creation or retention of jobs and on expenses incurred to remediate environmental problems.

Under current law, the department may designate up to 22 development zones under the development zone program. The department allocates to each development zone that it designates a portion of \$33,155,000, which is the total amount of tax credits that may be claimed under that program. Under the enterprise development zone program, the department may designate no more than 50 enterprise development zones unless the department obtains the approval of the joint committee on finance (JCF) to designate more. (The department has obtained

2

the approval to designate up to 64 enterprise development zones.) The total amount of tax credits that may be claimed under the enterprise development zone program is not specified in the statutes, although the statutes specify that the department may allocate to each enterprise development zone no more than \$3,000,000 in tax credits.

The bill changes the number of enterprise development zones that the department may designate to up to ~~64~~ and eliminates the provision that the department may obtain the approval of JCF to designate more. In addition, the bill eliminates the limit on the total tax credits that may be claimed under the development zone program and specifies that the total tax credits that may be claimed under the development zone program and the enterprise development zone program together is ~~\$280,200,000~~. The bill retains the \$3,000,000 limit on tax credits that may be allocated to each enterprise development zone.

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. 560.745 (2) (a) of the statutes is amended to read:

2 560.745 (2) (a) When the department designates a development zone under s.  
3 560.71, it shall establish a limit for tax benefits for the development zone determined  
4 by allocating to the development zone a portion of ~~\$33,155,000~~ the total amount of  
5 tax benefits specified in s. 560.787.

6 SECTION 2. 560.787 of the statutes is created to read:

7 **560.787 Limit on tax benefits.** The combined total of the tax benefits that  
8 may be claimed under the development zone program under ss. 560.70 to 560.78 and  
9 the enterprise development zone program under s. 560.797 may not exceed

10 ~~\$33,155,000.~~ → 300,000,000

11 SECTION 3. 560.797 (2) (d) of the statutes is amended to read:

12 560.797 (2) (d) The department may ~~not~~ designate ~~more than 50~~ up to ~~50~~  
13 enterprise development zones unless the department obtains the approval of the  
14 joint committee on finance to do so.

100 ✓  
\$300,000,000 ✓  
Insert A

Insert 2-10

Insert 2-14

100 ✓



1999-2000 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU

LRB-0843/2ins  
PJK:omb&king/lem

INSERT A ✓

The bill authorizes the department ~~to designate~~ to designate enterprise development zones for a different type of project. Under current law, the department may designate an enterprise development zone for a project that is likely to retain or increase employment in the state and that will likely have a positive effect on an area that meets at least ~~3~~ criteria relating generally to economic circumstances. *three* Under the bill, the department may also designate enterprise development zones for projects that will likely provide for significant environmental remediation. Environmental remediation is defined as the removal or containment of environmental pollution, or the restoration of soil or groundwater affected by environmental pollution, in a brownfield, which is an industrial or commercial facility, the expansion or redevelopment of which is complicated by environmental contamination. Of the 100 enterprise development zones that the department may designate under the bill, the department must designate at least ~~3~~ for projects for environmental remediation. *ten*

INSERT 2-10

SECTION 1. 560.797 (1) (aj) of the statutes is created to read:

560.797 (1) (aj) "Environmental remediation" has the meaning given in s. 71.07 (2dx) (a) 3. ✓

SECTION 2. 560.797 (2) (bg) of the statutes is created to read:

*and*  
560.797 (2) (bg) Notwithstanding par. (a) subject to pars. (c) and (d), the department may designate an area as an enterprise development zone for a project if the department determines all of the following:

1. That the project serves a public purpose.
2. That the project is not likely to occur or continue without the department's designation of the area as an enterprise development zone.
3. That the project will likely provide for significant environmental remediation.

SECTION 3. 560.797 (2) (br) of the statutes is created to read:

560.797 (2) (br) In making a determination under par. (bg), the department shall consider all of the following:

1. The factors specified in par. (b) 1. to 8. ✓
2. The environmental remediation that is likely to result from the project.

(END OF INSERT 2-10)

INSERT 2-14 ✓

no 4x ( Of the enterprise development zones that the department designates, at least 10 shall be designated under par. (b) ) (plain)

(END OF INSERT 2-14)

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-0843/2dn  
PJK:cmg/kmg/km  
cmg/kmg

1. Environmental remediation is defined in s. 71.07 (2dx) (a) 3, with respect to a brownfield, so I did not include a definition for brownfield or a reference to it (as in, "environmental remediation of a brownfield") in s. 560.797. *states*

2. The way in which I structured s. 560.797 (2) may be a bit different from what you had in mind. I thought it might be easier for the department to assess the factors if the 2 types of enterprise development zones were separated. Let me know if you have any questions or if you need any changes.

3. I did not add investing in environmental remediation to s. 560.797 (3) (b) 4, because the current language already covers it. *states*

4. What if the department does not designate 100 enterprise development zones, or at least not for a while? Do you still want 10 enterprise development zones to be for environmental remediation? Would you prefer to have 10% of the enterprise development zones be for environmental remediation?

5. As we discussed, you may want to review the tax provisions in ch. 71 and the rule-making provisions in s. 560.785 to make sure that there are no conflicts with the new criteria for designating an enterprise development zone. See especially s. 560.785 (1) (d) and (e). But see also s. 560.785 (2) (a). *states*

*states*

*states*

Pamela J. Kahler  
Senior Legislative Attorney  
266-2682

**DRAFTER'S NOTE  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

LRB-0843/2dn  
PJK:cmh&kmg:lp

November 20, 1998

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2. The way in which I structured s. 560.797 (2) may be a bit different from what you had in mind. I thought it might be easier for the department to assess the factors if the 2 types of enterprise development zones were separated. Let me know if you have any questions or if you need any changes.

3. I did not add investing in environmental remediation to s. 560.797 (3) (b) 4., stats., because the current language already covers it.

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5. As we discussed, you may want to review the tax provisions in ch. 71 and the rule-making provisions in s. 560.785, stats., to make sure that there are no conflicts with the new criteria for designating an enterprise development zone. See especially s. 560.785 (1) (d) and (e), stats. But see also s. 560.785 (2) (a), stats.

Pamela J. Kahler  
Senior Legislative Attorney  
266-2682



State of Wisconsin  
1999 - 2000 LEGISLATURE

LRB-0843/2  
PJK:cmh&kmg:lp

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- 1 **AN ACT ...; relating to:** tax benefits under the development zone program and the  
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the approval to designate up to 64 enterprise development zones.) The total amount of tax credits that may be claimed under the enterprise development zone program is not specified in the statutes, although the statutes specify that the department may allocate to each enterprise development zone no more than \$3,000,000 in tax credits.

The bill changes the number of enterprise development zones that the department may designate to up to 100 and eliminates the provision that the department may obtain the approval of JCF to designate more. In addition, the bill eliminates the limit on the total tax credits that may be claimed under the development zone program and specifies that the total tax credits that may be claimed under the development zone program and the enterprise development zone program together is \$300,000,000. The bill retains the \$3,000,000 limit on tax credits that may be allocated to each enterprise development zone.

The bill authorizes the department to designate enterprise development zones for a different type of project. Under current law, the department may designate an enterprise development zone for a project that is likely to retain or increase employment in the state and that will likely have a positive effect on an area that meets at least three criteria relating generally to economic circumstances. Under the bill, the department may also designate enterprise development zones for projects that will likely provide for significant environmental remediation. Environmental remediation is defined as the removal or containment of environmental pollution, or the restoration of soil or groundwater affected by environmental pollution, in a brownfield, which is an industrial or commercial facility, the expansion or redevelopment of which is complicated by environmental contamination. Of the 100 enterprise development zones that the department may designate under the bill, the department must designate at least ten for projects for environmental remediation.

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

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

- 1           **SECTION 1.** 560.745 (2) (a) of the statutes is amended to read:
- 2           560.745 (2) (a) When the department designates a development zone under s.
- 3           560.71, it shall establish a limit for tax benefits for the development zone determined
- 4           by allocating to the development zone a portion of ~~\$33,155,000~~ the total amount of
- 5           tax benefits specified in s. 560.787.
- 6           **SECTION 2.** 560.787 of the statutes is created to read:

1           **560.787 Limit on tax benefits.** The combined total of the tax benefits that  
2 may be claimed under the development zone program under ss. 560.70 to 560.78 and  
3 the enterprise development zone program under s. 560.797 may not exceed  
4 \$300,000,000.

5           **SECTION 3.** 560.797 (1) (aj) of the statutes is created to read:

6           560.797 (1) (aj) "Environmental remediation" has the meaning given in s. 71.07  
7 (2dx) (a) 3.

8           **SECTION 4.** 560.797 (2) (bg) of the statutes is created to read:

9           560.797 (2) (bg) Notwithstanding par. (a) and subject to pars. (c) and (d), the  
10 department may designate an area as an enterprise development zone for a project  
11 if the department determines all of the following:

- 12           1. That the project serves a public purpose.
- 13           2. That the project is not likely to occur or continue without the department's  
14 designation of the area as an enterprise development zone.
- 15           3. That the project will likely provide for significant environmental  
16 remediation.

17           **SECTION 5.** 560.797 (2) (br) of the statutes is created to read:

18           560.797 (2) (br) In making a determination under par. (bg), the department  
19 shall consider all of the following:

- 20           1. The factors specified in par. (b) 1. to 8.
- 21           2. The environmental remediation that is likely to result from the project.

22           **SECTION 6.** 560.797 (2) (d) of the statutes is amended to read:

23           560.797 (2) (d) The department may not designate ~~more than 50~~ up to 100  
24 enterprise development zones ~~unless the department obtains the approval of the~~

1 ~~joint committee on finance to do so.~~ Of the enterprise development zones that the  
2 department designates, at least 10 shall be designated under par. (bg).

3 **SECTION 7.** 560.797 (5) (b) of the statutes is amended to read:

4 560.797 (5) (b) When the department designates an area as an enterprise  
5 development zone under this section, the department shall establish a limit, not to  
6 exceed \$3,000,000 and subject to the limit under s. 560.787, for tax benefits for the  
7 enterprise development zone.

8 (END)