

1999 DRAFTING REQUEST

Assembly Amendment (AA-AB133)

Received: **06/11/99**

Received By: **jkreye**

Wanted: **Soon**

Identical to LRB:

For: **Legislative Fiscal Bureau 6-8849**

By/Representing: **Shanovich**

This file may be shown to any legislator: **NO**

Drafter: **jkreye**

May Contact:

Alt. Drafters:

Subject: **Tax - corp. inc. and fran.**

Extra Copies:

Pre Topic:

LFB:.....Shanovich -

Topic:

Development zone credits used to offset income from development zone activity

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>
/1	jkreye 06/12/99	ygeller 06/13/99	haugca 06/13/99	_____	lrb_docadmin 06/13/99		

FE Sent For:

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officials (for example, infrastructure improvements constructed by communities). Such economic development activities by state and local officials are generally provided through the development zone and enterprise development zone programs. However, the zone designation criteria may not always ensure that an economically viable area would be selected.

6. Increasing the amount that could be claimed for the development zone jobs tax credit would have a minimal fiscal effect in the 1999-01 biennium. The increased credits would first be available for tax year 2000. The process of Commerce allocating amounts to zones, the zones allocating the credits to individual businesses (in the case of development zones) and then the businesses taking the action to claim the credits would delay any significant fiscal effect beyond the current biennium. Moreover, the entire amount allocated to a business would not be claimed in one year, but would be claimed as investments were made and employees were hired as the business expanded. Also, many new and expanding businesses have little or no tax liability; in these cases unused development zone credits would be carried forward to offset future tax liabilities. However, the change to the job credit would increase the potential amount that could be claimed by a minimum of 23%. This could have a significant fiscal effect in future years. For example, the average amount of credits allocated per enterprise zone is \$1.7 million and the total amount allocated to the 44 zones is almost \$75 million. If the total amount of credits claimed were increased 23%, the average amount of credits per zone would be \$2.1 million and the total amount of credits allocated statewide would be \$92.3 million. The fiscal effect of increasing the development zone credits will be reflected in revenue estimates for the next biennium.

7. Historically, development zones credits could offset only the net income from the claimant's businesses activities in the development or enterprise development zone. However, when the development zone credits were consolidated into the current jobs and environmental remediation credit under 1997 Act 27, a statutory cross-reference to this requirement was not included. As a result, development zone credits are not limited to offsetting the claimant's income from the zone. To change this situation, the Committee could specify that the consolidated development zone credit can only offset income from business activities in the development or enterprise development zone.

ALTERNATIVES

1. Approve the Governor's recommendation to modify the full-time jobs component of the development zones tax credit as follows: (a) increase from \$6,500 to \$8,000 the maximum credit that could be claimed for each full-time job that was created and filled by a member of a targeted group; (b) eliminate the credit for retaining a job that is filled by a member of a targeted group; (c) provide a maximum tax credit of \$8,000 for retaining a full-time job in an enterprise development zone if Commerce determines that a significant capital investment was made to retain the full time job; and (d) increase from \$4,000 to \$6,000 the maximum tax credit that could be claimed for each full-time job created or retained and filled by an individual who is not a member of a targeted group. In addition, require that at least one-third of jobs credits claimed be based on jobs created and filled by members of a targeted group.

~~2. Modify the Governor's recommendation to specify that development zone credits~~

could only be used to offset income from the claimant's business activities in the development or enterprise development zone.

3. Maintain current law.

Prepared by: Ron Shanovich



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb06762/1

JK:.....

in 6-12-99

Jlg RMR

LFB:.....Shanovich – Development zone credits used to offset income from development zone activity

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

LFB AMENDMENT

TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

SOON

1 At the locations indicated, amend the bill as follows:

2 1. Page 854, line 3: after that line insert:

3 "SECTION 1708[✓]g. 71.07 (2dx) (b) (intro.)[✓] of the statutes is amended to read:

4 71.07 (2dx) (b) *Credit.* (intro.) Except as provided in s. 73.03 (35) and subject

5 to s. 560.785, for any taxable year for which the person is certified under s. 560.765

6 (3), any person may claim as a credit against taxes [✓]imposed on the person's income

7 from the person's business activities in a development zone the following amounts:".

8 2. Page 877, line ¹⁰~~8~~: after that line insert:

9 "SECTION 174²~~7~~g. 71.28 (1dx) (b) (intro.)[✓] of the statutes is amended to read:

10 71.28 (1dx) (b) *Credit.* (intro.) Except as provided in s. 73.03 (35) and subject

11 to s. 560.785, for any taxable year for which the person is certified under s. 560.765

1 (3), any person may claim as a credit against taxes imposed on the person's income
2 from the person's business activities in a development zone ✓ under this subchapter
3 the following amounts:” ✓

4 **3.** Page 881, line 22: after that line insert:

5 “SECTION 1755g. 71.47 (1dx) (b) (intro.) ✓ of the statutes is amended to read:

6 71.47 (1dx) (b) *Credit*. (intro.) Except or provided in s. 73.03 (35) and subject
7 to s. 560.785, for any taxable year for which the person is certified under s. 560.765
8 (3), any person may claim as a credit against taxes imposed on the person's income
9 from the person's business activities in a development zone under this subchapter
10 the following amounts:”.

11 **4.** Page 1462, line 3: after that line insert:

12 initial app (22) ^d DEVELOPMENT ZONES CREDIT. The treatment of sections ✓ 71.07 (2dx) (b)
13 (intro.), 71.28 (1dx) (b) (intro.) ✓ and 71.47 (1dx) (b) (intro.) ✓ of the statutes first applies
14 to taxable years beginning on January 1 of the year in which this subsection takes
15 effect except that if this subsection takes effect after July 31 the treatment of sections
16 71.07 (2dx) (b) (intro.), 71.28 (1dx) (b) (intro.) and 71.47 (1dx) (b) (intro.) ✓ of the
17 statutes first applies to taxable years beginning on January 1 of the year following
18 the year in which this ✓ subsection takes effect.” ↓

19 (END)



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb0676/1
JK:jlg:ch

LFB:.....Shanovich – Development zone credits used to offset income from development zone activity

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

LFB AMENDMENT

TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 854, line 3: after that line insert:

3 “SECTION 1708g. 71.07 (2dx) (b) (intro.) of the statutes is amended to read:

4 71.07 (2dx) (b) *Credit.* (intro.) Except as provided in s. 73.03 (35) and subject
5 to s. 560.785, for any taxable year for which the person is certified under s. 560.765
6 (3), any person may claim as a credit against taxes imposed on the person's income
7 from the person's business activities in a development zone the following amounts:”.

8 **2.** Page 877, line 10: after that line insert:

9 “SECTION 1742g. 71.28 (1dx) (b) (intro.) of the statutes is amended to read:

10 71.28 (1dx) (b) *Credit.* (intro.) Except as provided in s. 73.03 (35) and subject
11 to s. 560.785, for any taxable year for which the person is certified under s. 560.765

1 (3), any person may claim as a credit against taxes imposed on the person's income
2 from the person's business activities in a development zone under this subchapter
3 the following amounts:".

4 **3.** Page 881, line 22: after that line insert:

5 "SECTION 1755g. 71.47 (1dx) (b) (intro.) of the statutes is amended to read:

6 71.47 (1dx) (b) *Credit.* (intro.) Except or provided in s. 73.03 (35) and subject
7 to s. 560.785, for any taxable year for which the person is certified under s. 560.765
8 (3), any person may claim as a credit against taxes imposed on the person's income
9 from the person's business activities in a development zone under this subchapter
10 the following amounts:".

11 **4.** Page 1462, line 3: after that line insert:

12 "(22d) DEVELOPMENT ZONES CREDIT. The treatment of sections 71.07 (2dx) (b)
13 (intro.), 71.28 (1dx) (b) (intro.) and 71.47 (1dx) (b) (intro.) of the statutes first applies
14 to taxable years beginning on January 1 of the year in which this subsection takes
15 effect except that if this subsection takes effect after July 31 the treatment of sections
16 71.07 (2dx) (b) (intro.), 71.28 (1dx) (b) (intro.) and 71.47 (1dx) (b) (intro.) of the
17 statutes first applies to taxable years beginning on January 1 of the year following
18 the year in which this subsection takes effect."

19 (END)