

2001 DRAFTING REQUEST

Senate Amendment (SA-SSA1-SB55)

Received: 06/15/2001

Received By: kahlepj

Wanted: Soon

Identical to LRB:

For: Senate Democratic Caucus

By/Representing: Keckhaver

This file may be shown to any legislator: NO

Drafter: kahlepj

May Contact:

Addl. Drafters:

Subject: Econ. Development - misc.

Extra Copies:

Submit via email: NO

Requester's email:

Pre Topic:

SDC:.....Keckhaver - CN8501,

Topic:

Designate Gateway Project in Beloit as a development opportunity zone

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 06/16/2001			_____			
/1	jkreye 06/17/2001	hhagen 06/17/2001	rschluet 06/18/2001	_____	lrb_docadmin 06/18/2001		

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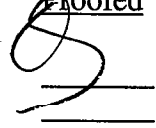
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1?	kahlepj	l.hmh 6/17/01		 6-18-01			

FE Sent For:

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Prior Reference: LFB Paper #105; LFB Memo 4/26/01 Beloit Development Opportunity Zone; Department of Commerce – Departmentwide and Economic Development; LFB Summary of Governor's Budget Recommendations, Pages 184-86 Item 21

CN
-8501

Fiscal Effect: The Legislative Fiscal Bureau estimates that the Beloit Zone would have a minimal fiscal effect during the 2001-03 biennium due to the time it would take to designate the zone and for businesses to locate in the zone and claim credits based on economic activity.

Amendment: Create the Beloit Development Opportunity Zone designated for the Gateway Project with other provisions identical to the Milwaukee Development Opportunity Zone. The maximum amount of tax credits that could be claimed by businesses in the zone would be \$4.7 million.

Explanation: Designate the Gateway Project area in the City of Beloit as a development opportunity zone. The Beloit development zone would exist for seven years, beginning with the effective date of the bill. Any corporation that conducted economic activity in the zone and that, in conjunction with the Common Council of the City of Beloit, submitted a project plan would be eligible to claim the development zone tax credit, the development zone investment credit and a development zone capital investment credit that would be created in the bill. The maximum amount of tax credits that could be claimed by businesses in the zone would be \$4.7 million.

~~8501~~

PJK



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

April 26, 2001

TO: Senator Judy Robson
Room 15 South, State Capitol

FROM: Ron Shanovich, Fiscal Analyst

SUBJECT: Beloit Development Opportunity Zone

This memorandum provides a description of a proposed development opportunity zone that would be created in the City of Beloit.

An area in the City of Beloit would be designated as a development opportunity zone that would exist for seven years. Any corporation that located and conducted economic activity in the zone would be eligible to claim the development zone tax credit and a development zone capital investment credit. The maximum amount of tax credits that could be claimed by businesses in the zone would be \$4,700,000. (This provision is designed to provide assistance to the Gateway Project in the City of Beloit.)

In order to claim tax credits, a corporation that conducts or intends to conduct economic activity in the Beloit development opportunity zone would have to submit a project plan to the Department of Commerce, in conjunction with the Common Council. Commerce would be required to revoke the entitlement for tax credits of a corporation that: (a) supplied false or misleading information to obtain the tax benefits; (b) left the zone to conduct substantially the same business outside the development opportunity zone; or (c) ceased operations in the zone and did not renew the same or similar operations within 12 months. The Department of Revenue (DOR) would have to be notified within 30 days of a revocation.

Annually, Commerce would be required to estimate the amount of revenue that would be forgone due to tax credits claimed by businesses in the development opportunity zone. The zone would expire 90 days after the day on which Commerce determined that the amount of forgone revenue equaled or exceeded the tax credit limit. Commerce would be required to notify the Common Council of any change in the expiration date. Commerce would also be required to notify DOR of corporations entitled to claim the tax credits and to verify information submitted by claimants.

A business in the Beloit development opportunity zone would be eligible to claim the development zone credit provided under current law and a development zone capital investment credit.

Development Zone Capital Investment Credit. A capital investment tax credit would be available to a business in the development opportunity zone. The credit would equal 3% of the following:

a. *The purchase price of depreciable, tangible personal property.* To be eligible for the credit, the property would have to be purchased after the claimant was certified as eligible for tax benefits and the personal property would have to have at least 50% of its use in the claimant's business at a location in the development opportunity zone. If the property was mobile, the base of operations for at least 50% its use would have to be in the development opportunity zone.

b. *The amount expended to acquire, construct, rehabilitate, remodel, or repair real property in the development opportunity zone.* Expenses would be eligible for the credit if the claimant began the physical work of construction, rehabilitation, remodeling or repair, or any demolition or destruction in preparation for the physical work, after the place where the property is located was designated a development opportunity zone. Expenses could be claimed for the credit if the completed project was placed in service after the claimant was certified as eligible for tax benefits. A credit could not be claimed for expenses for preliminary activities such as planning, designing, securing financing, researching, developing specifications, or stabilizing the property to prevent deterioration. A claimant could also claim a tax credit for amounts expended to acquire real property, if the property was not previously owned and the claimant acquired the property after the place where the property was located was designated a development opportunity zone or if the completed project was placed in service after the claimant was certified as eligible for tax benefits. Credits that were not entirely used to offset income or franchise taxes in the current year could be carried forward up to 15 years to offset future tax liabilities.

Development Zone Tax Credit. Under current law, eligible businesses which conduct economic activity in development or enterprise development zones may claim the development zone tax credit. A business in the Beloit development opportunity zone would be eligible for this tax credit. The credit is based on amounts spent on environmental remediation and the number of full-time jobs created or retained.

a. *Environmental Remediation Component.* A credit against income taxes due can be claimed for 50% of the amount expended for environmental remediation in a development, or enterprise development zone.

b. *Full-Time Jobs Component.* A credit of up to \$8,000 against income and franchise taxes can be claimed for: (a) each full-time job created in a development or enterprise development zone and filled by a member of a targeted group (public assistance recipients and other economically-disadvantaged individuals); and (b) 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. In addition, a credit of up to \$6,000 can be claimed for each full-time job created or retained in a development or enterprise development zone that is filled by a Wisconsin resident who is not a member of a targeted group.

Tax Credits Claimed Based on the Economic Activity of Another. Commerce would be authorized to certify a person that was conducting economic activity in the development opportunity zone as eligible for claiming the available tax credits based on the economic activity of another person. In order for Commerce to certify a person as eligible for credits based on the economic activity of another person, the following would have to apply:

- a. The person's (to be certified) economic activity was instrumental in enabling another person to conduct economic activity in the development opportunity zone.
- b. Commerce determined that the economic activity of the other person would not occur without the involvement of the person to be certified.
- c. The person to be certified for tax benefits would pass the tax benefits through to the other person conducting economic activity in the development opportunity zone.
- d. The other person conducting economic activity in the zone would not claim tax benefits.

A person that intended to claim tax benefits based on the economic activity of another would be required to submit an application to Commerce, in the form prescribed by the Department, with information required by Commerce and by DOR. Commerce would be required to verify information submitted for tax credits and to notify DOR of all persons that were certified to claim tax credits.

Commerce would be required to revoke the certification for tax credits under this provision if it determined that the person: (a) supplied false or misleading information; (b) ceased operations in the development opportunity zone; or (c) did not pass tax benefits through to the other person conducting economic activity in the zone, as determined by Commerce. The Department would be required to notify DOR within 30 days of the revocation.

Due to the time it would take to designate the development opportunity zone and for businesses to locate in the zone and claim credits based on economic activity, it is estimated that establishing the proposed development opportunity zone would have a minimal fiscal effect during the 2001-03 biennium.

There is currently one development opportunity zone in the City of Kenosha. The 2001-03 budget bill includes provisions that would create a development opportunity zone in Milwaukee.

RS/bh/sas



Rum

SDC:.....Keckhaver – CN8501, Designate Gateway Project in Beloit as a development opportunity zone

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

**CAUCUS SENATE AMENDMENT
TO SENATE SUBSTITUTE AMENDMENT 1,
TO 2001 SENATE BILL 55**

m 6-17-01

1 At the locations indicated, amend the substitute amendment as follows:

2 1. Page 731, line 2: after “(e)” insert “and (f)”.

3 2. Page 794, line 5: after “(e)” insert “and (f)”.

4 3. Page 826, line 24: after “(e)” insert “and (f)”.

5 4. Page 1173, line 7: delete “zone” and substitute “zones”.

6 5. Page 1173, line 7: after “(e)” insert “and (f)”.

7 6. Page 1173, line 11: after that line insert:

8 “SECTION 3701m. 560.795 (1) (f) of the statutes is created to read:

1 560.795 (1) (f) For the Gateway Project, an area in the city of Beloit, the legal
2 description of which is provided to the department by the local governing body of the
3 city of Beloit.”.

4 7. Page 1173, line 18: delete “and (e)” and substitute “, (e), and (f)”.

5 8. Page 1173, line 20: delete “designation of the area under sub. (1) (e)” and
6 substitute “designations of the areas under sub. (1) (e) and (f)”.

7 9. Page 1173, line 24: after that line insert:

8 “SECTION 3703m. 560.795 (2) (b) 6. of the statutes is created to read:

9 560.795 (2) (b) 6. The limit for the tax benefits for the development opportunity
10 zone under sub. (1) (f) is \$4,700,000.”.

11 10. Page 1174, line 2: after “(e)” insert “or (f)”.

12 11. Page 1174, line 21: after “(e)” insert “or (f)”.

13 12. Page 1174, line 24: after “(e)” insert “or (f)”.

14 13. Page 1175, line 20: after “(e)” insert “or (f)”.

15 14. Page 1404, line 15: after “MILWAUKEE” insert “AND BELOIT”.

16 15. Page 1404, line 15: delete “ZONE” and substitute “ZONES”.

17 16. Page 1404, line 16: on lines 16 and 19, after “(e)” insert “and (f)”.

18 17. Page 1404, line 16: on lines 16 and 19, after “(b) 5.” insert “and 6.”.

19 (END)

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