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(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ...  
PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Senate

(Assembly, Senate or Joint)

Committee on ... Veterans, Homeland Security,  
Military Affairs, Small Business and Government  
Reform (SC-VHSMASBGR)

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**



Registrations Against

- None.

December 5, 2005

**EXECUTIVE SESSION HELD\***

**\* - POLLING**

Moved by the Committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform that **Senate Amendment 1 (LRBa1643/1)** be recommended for adoption.

Ayes: (3) Senators Brown, Zien and Kanavas.

Noes: (2) Senators Breske and Wirch.

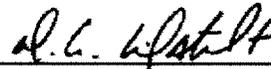
ADOPTION OF SENATE AMENDMENT 1 (LRBA1643/1)  
RECOMMENDED, Ayes 3, Noes 2

Moved by the Committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform that **Assembly Bill 208** be recommended for concurrence as amended.

Ayes: (3) Senators Brown, Zien and Kanavas.

Noes: (2) Senators Breske and Wirch.

CONCURRENCE AS AMENDED RECOMMENDED, Ayes 3,  
Noes 2



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Daniel Lindstedt  
Committee Clerk

**ASSEMBLY BILL 208 (LRB -1297)**

An Act to amend 71.05 (6) (a) 15., 71.08 (1) (intro.), 71.10 (4) (i), 71.21 (4), 71.26 (2) (a), 71.30 (3) (f), 71.34 (1) (g), 71.45 (2) (a) 10., 71.49 (1) (f) and 77.92 (4); and to create 20.835 (2) (cm), 20.835 (2) (em), 20.835 (2) (eo), 71.07 (3c), 71.07 (3e), 71.07 (3w), 71.28 (3w), 71.47 (3w) and 560.799 of the statutes; relating to: creating rural enterprise development zones and providing tax incentives to qualified businesses in the zones, creating refundable individual income tax credits for income and capital gains derived from the zones, making appropriations, and providing a penalty.

**2005**

03-14. A. Introduced by Representatives **Suder, M. Williams, Pettis, Moulton, Wood, Lamb, Nerison, Ott, Gronemus, Kestell, Davis, Mursau, Owens, Freese, Van Roy, Musser, Kreibich, McCormick, Hines, Hahn, Vruwink, Vos, F. Lasee, Petrowski, Ballweg and Gunderson**; cosponsored by Senators **Zien, Harsdorf, Roessler, Brown and Darling**.

03-14. A. Read first time and referred to committee on Rural Development ..... 127

03-16. A. Public hearing held.

03-17. A. Fiscal estimate received.

03-23. A. Executive action taken.

03-24. A. Fiscal estimate received.

03-30. A. Report passage recommended by committee on Rural Development, Ayes 5, Noes 0 ..... 155

03-30. A. Referred to joint committee on Finance ..... 155

04-05. A. Executive action taken.

04-05. A. Assembly substitute amendment 1 offered by committee on Finance (**LRB s0060**) ..... 160

04-05. A. Assembly amendment 1 to Assembly substitute amendment 1 offered by committee on Finance (**LRB a0398**) ..... 160

04-05. A. Report Assembly Amendment 1 to Assembly Substitute Amendment 1 adoption recommended by joint committee on Finance, Ayes 15, Noes 0 ..... 161

04-05. A. Report Assembly Substitute Amendment 1 adoption recommended by joint committee on Finance, Ayes 9, Noes 6 ..... 161

04-05. A. Report passage as amended with emergency statement attached, pursuant to s. 16.47 (2), Wisconsin Statutes recommended by joint committee on Finance, Ayes 9, Noes 6 ..... 161

04-05. A. Referred to committee on Rules ..... 161

04-05. A. Placed on calendar 4-7-2005 by committee on Rules.

04-07. A. Read a second time ..... 171

04-07. A. Assembly amendment 1 to Assembly substitute amendment 1 **adopted** ..... 171

04-07. A. Assembly substitute amendment 1 **adopted** ..... 172

04-07. A. Ordered to a third reading ..... 172

04-07. A. Refused to suspend rules to read a third time, Ayes 61, Noes 35 ..... 172

04-07. A. Made a special order of business at 11:01 A.M. on 4-12-2005 pursuant to Assembly Resolution 12 ..... 174

04-12. A. Read a third time and **passed**, Ayes 65, Noes 33 ..... 181

04-12. A. Ordered immediately messaged ..... 181

04-13. S. Received from Assembly ..... 170

04-13. S. Read first time and referred to committee on Job Creation, Economic Development and Consumer Affairs ..... 170

05-19. S. Public hearing held.

05-25. S. Fiscal estimate received.

10-25. S. Withdrawn from committee on Job Creation, Economic Development and Consumer Affairs and rereferred to committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform, pursuant to Senate Rule 46 (2)(c) ..... 404

11-16. S. Public hearing held.

12-02. S. Senate amendment 1 offered by Senator Brown (**LRB a1643**) ..... 472

12-05. S. Executive action taken.

12-05. S. Report adoption of Senate Amendment 1 recommended by committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform, Ayes 3, Noes 2 ..... 475

12-05. S. Report concurrence as amended recommended by committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform, Ayes 3, Noes 2 ..... 475

12-05. S. Available for scheduling.

**2006**

03-01. S. Placed on calendar 3-2-2006 by committee on Senate Organization.

03-02. S. Senator Stepp added as a cosponsor ..... 654

03-02. S. Read a second time ..... 670

03-02. S. Senate amendment 1 **adopted** ..... 670

03-02. S. Senate amendment 2 offered by Senator S. Fitzgerald (**LRB a2613**) ..... 670

03-02. S. Senate amendment 2 **adopted** ..... 671

03-02. S. Ordered to a third reading ..... 671  
03-02. S. Rules suspended ..... 671  
03-02. S. Read a third time and **concurred in** as amended, Ayes 17, Noes 15 ..... 671  
03-02. S. Ordered immediately messaged ..... 675  
03-09. A. Received from Senate amended and concurred in as amended (Senate amendments 1 and 2 adopted) ..... 966  
03-09. A. Senate amendment 1 **concurred in** ..... 967  
03-09. A. Senate amendment 2 **concurred in** ..... 967  
03-09. A. Action ordered immediately messaged ..... 967  
03-21. A. Report correctly enrolled ..... 987  
04-13. A. Presented to the Governor on 4-13-2006 ..... 1014  
04-19. A. Report **approved** by the Governor with partial veto on 4-19-2006. 2005 Wisconsin Act 361 ..... 1022  
04-21. A. Published 5-2-2006 ..... 1027  
05-26. A. Placed on calendar 5-30-2006 pursuant to Joint Rule 82.  
05-31. A. Refused to pass partial veto notwithstanding the objections of the Governor, Ayes 61, Noes 36 ..... 1160





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**WISCONSIN LEGISLATIVE COUNCIL  
AMENDMENT MEMO**

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**2005 Assembly Bill 208**

**Assembly Substitute  
Amendment 1 and Assembly  
Amendment 1**

*Memo published: April 6, 2005*

*Contact: Rachel Letzing, Staff Attorney (6-3370)*

Assembly Substitute Amendment 1 authorizes the Department of Commerce (“the department”) to designate rural enterprise development zones and provide tax benefits to businesses that operate within the zones.

**Designation of Rural Enterprise Development Zones**

Assembly Substitute Amendment 1 provides that the governing body of a local governmental unit (a city, village, town, or county) may apply to the department for designation of an area as a rural enterprise development zone. An application must include a development plan, which must include the information specified in SECTION 19 of the substitute amendment.

Assembly Substitute Amendment 1 authorizes the department to designate up to 10 rural enterprise development zones. A zone may not exceed 5,000 acres and may not include any part of a first class city or a city with a population greater than 200,000. In determining whether to grant a rural enterprise development zone application, the department must consider indicators of the area’s economic need and indicators of the likelihood of success in achieving the goals of increased economic opportunity and expansion, infrastructure improvements, reduced regulatory burdens, and increased job training opportunities in the proposed zone. The department must, to the extent possible, give preference to applications in which the areas proposed for designation have the lowest population densities and the greatest economic need.

The substitute amendment provides that a designation as a rural enterprise development zone may remain in effect for up to 12 years.

Under the substitute amendment, the governing body of the local governmental unit that applied for designation must, during the time the designation is in effect, submit an annual report to the department describing the progress in meeting the goals described in the development plan and any additional information required by the department.

**Certification of Businesses to Receive Tax Benefits**

The department may certify a business to receive the tax benefits under the substitute amendment if: (1) the business begins operations in a rural enterprise development zone; or (2) relocates to a zone from outside the state. Assembly Amendment 1 specifies that the department may certify a business that relocates to a rural enterprise development zone from outside the state if the business offers compensation and benefits to its employees in the zone for the same type of work that are at least as favorable as those offered to its employees outside the zone, as determined by the department.

The department may also certify a business that relocates to a rural enterprise development zone from another location in the state if any of the following apply:

1. The business will increase the number of full-time employees employed in the zone by at least 10% and the business enters into an agreement with the department to claim tax benefits only for years during which the business maintains the increased level of employment; or
2. The business makes a capital investment in property located in the zone and the value of the capital investment is equal to at least 10% of the business's gross revenues in the preceding tax year, and enters into an agreement with the department to claim tax benefits only for years during which the business maintains the capital investment.

Assembly Amendment 1 provides that the department may also certify a business that relocates to a rural enterprise development zone from another location in the state if the business offers compensation and benefits to its employees in the zone for the same type of work that are at least as favorable as those offered to its employees outside the zone, as determined by the department.

The department must revoke a business's certification if the business does any of the following:

1. Supplies false or misleading information to obtain tax benefits.
2. Leaves the rural enterprise development zone to conduct substantially the same business outside of the zone.
3. Ceases operations in the rural enterprise development zone and does not renew operation of the business or a similar business in the zone within 12 months.

The department may require a business to repay any tax benefits the business claims for a year in which the business failed to maintain employment or capital investment levels required by the certification agreement with the department.

**Rural Enterprise Development Income Credit**

Assembly Substitute Amendment 1 creates a refundable individual income tax credit. Under this tax credit, an individual who owns or operates a trade or business in a rural development zone may claim a credit equal to 20% of the individual's income derived from operations of the trade or business in the zone multiplied by 6.5%. The credit is prorated if the claimant, or the claimant's spouse, or both, are nonresidents or part-year residents of this state. If the amount of the credit exceeds the claimant's income tax liability, the Department of Administration (DOA) must issue a check to the claimant for the excess amount. The substitute amendment creates a sum sufficient general purpose revenue (GPR) appropriation from which these payments may be made.

**Rural Enterprise Development Capital Gains Credit**

Assembly Substitute Amendment 1 creates a refundable individual income tax credit equal to 6.5% multiplied by the amount of capital gains that are not excluded from tax under current law, if the gains were derived from: (1) the sale or exchange of property, other than real property, used by a certified business in a rural enterprise development zone; and (2) the sale or exchange of real property located in a rural enterprise development zone and used by a certified business. The credit is prorated if the claimant held the property during a period when the rural enterprise development zone was not designated. The credit is also prorated if the claimant, or the claimant's spouse, or both, are nonresidents or part-year residents of this state. If the amount of the credit exceeds the claimant's income tax liability, the DOA must issue a check to the claimant for the excess amount. The substitute amendment creates a sum sufficient GPR appropriation from which these payments may be made.

**Rural Enterprise Development Zone Jobs Credit**

Assembly Substitute Amendment 1 creates a rural enterprise development zone jobs credit under the individual income tax and the corporate income and franchise tax for certified businesses located in a rural enterprise development zone. The credit is based upon the amount that the individual or corporation pays to employees in the rural enterprise development zone, as calculated by the formulas created in the substitute amendment. If the amount of the credit exceeds the claimant's tax liability, the DOA must issue a check to the claimant for the excess amount. The substitute amendment creates a sum sufficient GPR appropriation from which these payments may be made.

In addition to this credit, a certified business may claim a supplemental credit in an amount equal to all of the following:

1. The amount of property taxes the claimant paid in the taxable year for the claimant's personal property located in a rural enterprise development zone and used by a certified business.
2. The amount of sales and use taxes the claimant paid in the taxable year on the purchase of tangible personal property and taxable services used or consumed primarily in the rural enterprise development zone and used in a certified business.
3. If all of the claimant's payroll is zone payroll and all of the claimant's business-related property is located in the zone, the amount obtained by multiplying 20% of the sum of the claimant's zone payroll in the taxable year and the adjusted basis of the claimant's property at the time that the property is first placed in service in the zone by: (a) 6.5% for businesses that file under the individual income tax; or (b) 7.9% for businesses that file under the corporate income and franchise tax.
4. The amount the claimant paid in the taxable year to upgrade or improve the skills of any of the claimant's full-time employees who work in the zone, to train any of the full-time employees who work in the zone on the use of new technologies, or to train any full-time employee who works in the zone whose employment with the claimant is the employee's first full-time job.

Assembly Substitute Amendment 1 provides that a certified business may not claim a jobs credit or a supplemental credit if the basis for which the credit is claimed is also the basis for which another tax credit is claimed.

**Legislative History**

Assembly Amendment 1 to Assembly Substitute Amendment 1 was offered by the Joint Committee on Finance. The committee recommended adoption of Assembly Amendment 1 on a vote of

Ayes, 15; Noes, 0. Assembly Substitute Amendment 1 was also offered by the Joint Committee on Finance. The committee recommended adoption of Assembly Substitute Amendment 1 on a vote of Ayes, 9; Noes, 6, and recommended passage of the bill, as amended, by the same vote.

REL:ksm





**WISCONSIN LEGISLATIVE COUNCIL  
AMENDMENT MEMO**

**2005 Assembly Bill 208**

**Assembly Substitute  
Amendment 1 and Assembly  
Amendment 1**

*Memo published: November 8, 2005*

*Contact: Rachel Letzing, Staff Attorney (6-3370)*

Assembly Substitute Amendment 1 authorizes the Department of Commerce (“the department”) to designate rural enterprise development zones and provide tax benefits to businesses that operate within the zones.

**Designation of Rural Enterprise Development Zones**

Assembly Substitute Amendment 1 provides that the governing body of a local governmental unit (a city, village, town, or county) may apply to the department for designation of an area as a rural enterprise development zone. An application must include a development plan, which must include the information specified in SECTION 19 of the substitute amendment.

Assembly Substitute Amendment 1 authorizes the department to designate up to 10 rural enterprise development zones. A zone may not exceed 5,000 acres and may not include any part of a first class city or a city with a population greater than 200,000. In determining whether to grant a rural enterprise development zone application, the department must consider indicators of the area’s economic need and indicators of the likelihood of success in achieving the goals of increased economic opportunity and expansion, infrastructure improvements, reduced regulatory burdens, and increased job training opportunities in the proposed zone. The department must, to the extent possible, give preference to applications in which the areas proposed for designation have the lowest population densities and the greatest economic need.

The substitute amendment provides that a designation as a rural enterprise development zone may remain in effect for up to 12 years.

Under the substitute amendment, the governing body of the local governmental unit that applied for designation must, during the time the designation is in effect, submit an annual report to the department describing the progress in meeting the goals described in the development plan and any additional information required by the department.

### **Certification of Businesses to Receive Tax Benefits**

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The department may also certify a business that expands operations in or relocates to a rural enterprise development zone from another location in the state if any of the following apply:

1. The business will increase the number of full-time employees employed in the zone by at least 10% and the business enters into an agreement with the department to claim tax benefits only for years during which the business maintains the increased level of employment; or
2. The business makes a capital investment in property located in the zone and the value of the capital investment is equal to at least 10% of the business's gross revenues in the preceding tax year, and enters into an agreement with the department to claim tax benefits only for years during which the business maintains the capital investment.

Assembly Amendment 1 provides that the department may also certify a business that expands operations in or relocates to a rural enterprise development zone from another location in the state if the business offers compensation and benefits to its employees in the zone for the same type of work that are at least as favorable as those offered to its employees outside the zone, as determined by the department.

The department must revoke a business's certification if the business does any of the following:

1. Supplies false or misleading information to obtain tax benefits.
2. Leaves the rural enterprise development zone to conduct substantially the same business outside of the zone.
3. Ceases operations in the rural enterprise development zone and does not renew operation of the business or a similar business in the zone within 12 months.

The department may require a business to repay any tax benefits the business claims for a year in which the business failed to maintain employment or capital investment levels required by the certification agreement with the department.

### **Rural Enterprise Development Income Credit**

Assembly Substitute Amendment 1 creates a refundable individual income tax credit. Under this tax credit, an individual who owns or operates a trade or business in a rural development zone may claim a credit equal to 20% of the individual's net income derived from operations of the trade or business in the zone multiplied by 6.5%. The credit is prorated if the claimant, or the claimant's spouse, or both, are nonresidents or part-year residents of this state. If the amount of the credit exceeds the claimant's income tax liability, the Department of Administration (DOA) must issue a check to the claimant for the excess amount. The substitute amendment creates a sum sufficient general purpose revenue (GPR) appropriation from which these payments may be made.

**Rural Enterprise Development Capital Gains Credit**

Assembly Substitute Amendment 1 creates a refundable individual income tax credit equal to 6.5% multiplied by the amount of capital gains that are not exempt from tax under current law, if the gains were derived from: (1) the sale or exchange of property, other than real property, used by a certified business in a rural enterprise development zone; and (2) the sale or exchange of real property located in a rural enterprise development zone and used by a certified business. The credit is prorated if the claimant held the property during a period when the rural enterprise development zone was not designated. The credit is also prorated if the claimant, or the claimant's spouse, or both, are nonresidents or part-year residents of this state. If the amount of the credit exceeds the claimant's income tax liability, the DOA must issue a check to the claimant for the excess amount. The substitute amendment creates a sum sufficient GPR appropriation from which these payments may be made.

**Rural Enterprise Development Zone Jobs Credit**

Assembly Substitute Amendment 1 creates a rural enterprise development zone jobs credit under the individual income tax and the corporate income and franchise tax for certified businesses located in a rural enterprise development zone. The credit is based upon the amount that the individual or corporation pays to employees in the rural enterprise development zone, as calculated by the formulas created in the substitute amendment. If the amount of the credit exceeds the claimant's tax liability, the DOA must issue a check to the claimant for the excess amount. The substitute amendment creates a sum sufficient GPR appropriation from which these payments may be made.

In addition to this credit, a certified business may claim a supplemental credit in an amount equal to all of the following:

1. The amount of property taxes the claimant paid in the taxable year for the claimant's personal property located in a rural enterprise development zone and used by a certified business.
2. The amount of sales and use taxes the claimant paid in the taxable year on the purchase of tangible personal property and taxable services used or consumed primarily in the rural enterprise development zone and used in a certified business.
3. If all of the claimant's payroll is zone payroll, as defined in the substitute amendment, and all of the claimant's business-related property is located in the zone, the amount obtained by multiplying 20% of the sum of the claimant's zone payroll in the taxable year and the adjusted basis of the claimant's property at the time that the property is first placed in service in the zone by: (a) 6.5% for businesses that file under the individual income tax; or (b) 7.9% for businesses that file under the corporate income and franchise tax.
4. The amount the claimant paid in the taxable year to upgrade or improve the skills of any of the claimant's full-time employees who work in the zone, to train any of the full-time employees who work in the zone on the use of new technologies, or to train any full-time employee who works in the zone whose employment with the claimant is the employee's first full-time job.

Assembly Substitute Amendment 1 provides that a certified business may not claim a jobs credit or a supplemental credit if the basis for which the credit is claimed is also the basis for which another tax credit is claimed.

**Legislative History**

Assembly Amendment 1 to Assembly Substitute Amendment 1 was offered by the Joint Committee on Finance. The committee recommended adoption of Assembly Amendment 1 on a vote of Ayes, 15; Noes, 0. Assembly Substitute Amendment 1 was also offered by the Joint Committee on Finance. The committee recommended adoption of Assembly Substitute Amendment 1 on a vote of Ayes, 9; Noes, 6, and recommended passage of the bill, as amended, by the same vote.

REL:ksm





# State of Wisconsin • DEPARTMENT OF REVENUE

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**Jim Doyle**  
Governor

**Michael L. Morgan**  
Secretary of Revenue

Senate Veterans, Homeland Security, Military Affairs, Small Business and Government,  
Wed, Nov 16, 2005

## **Assembly Substitute Amendment 1 to AB 208 – Job Opportunity Building Development Zones (Rep. Suder and Sen. Zien)**

### *Description of Current Law and Proposed Change*

Under the bill, as amended by Assembly Substitute Amendment 1, the Department of Commerce may designate up to 10 rural enterprise development zones and certify businesses in the zone for tax credits. The rural enterprise zones would have to be in areas not exceeding 5,000 acres and could not include any part of a first class city or a city with a population greater than 200,000 (Madison or Milwaukee). The bill does not require that the 5,000 acres be contiguous.

The bill would create three refundable credits for businesses located in one of ten rural enterprise development zones designated by the Department of Commerce. One credit would be available to individuals who own or operate a trade or business in a zone and would equal 6.5% times 20% of the income derived from the operation of the business in the zone. Another credit available to individuals would equal 6.5% of the taxable capital gain derived from the sale or exchange of property located in a zone. The third credit would be available to individuals and corporations and would be based on payroll. A supplemental portion of this credit would be based on personal property taxes, sales and use taxes and training expenses. Claimants that have all payroll and property in the zone would also receive additional credit equal to 6.5% of 20% of the sum of the claimant's zone payroll and adjusted basis of property at the time it was first placed in service in the zone.

### *Fairness/Tax Equity*

- The bill would, in effect, eliminate the personal property tax, sales and use tax and a substantial portion, if not all, of income or franchise tax for businesses that are located in one of the ten zones. Similarly situated businesses operating elsewhere in the state would not receive the tax reduction unless they were to move from their current location to the zone.

### *Impact on Economic Development*

- The credits could encourage businesses to start business or relocate out-of-state operations in a zone. The credits could also encourage businesses to relocate to a zone from another location in the state. While the relocation could help encourage development in a zone, it could also have significant negative impacts on the areas of the state that the businesses are leaving.

- According to a report by Minnesota Center for Rural Policy and Development (CRPD), after one year, a similar program in Minnesota has resulted in approximately 130 JOBZ deals since it took effect in January of 2004. Approximately 35 of the deals involved businesses from Minnesota moving to another location in the state to be within a zone and qualify for credit.
- Another CRPD report discusses a similar program in Pennsylvania in which it was found that 72% of the projects and 63% of the jobs created in the rural North Central zone were from in-state business expansions and relocations rather than business start-ups and out-of-state relocations.
- According to CRPD, Minnesota numbers on the first year of jobs and investments may be misleading because a substantial portion of the jobs and investments are pledged, but not made. Some jobs and investments are not expected to be made for several years. Further, half of the deals created five or fewer jobs and 44% involved modest capital investments of \$500,000 or less.
- The Minnesota program has already been challenged as unconstitutional for violating the U.S. Commerce Clause and for surrendering taxing authority to economic development officials.

#### *Administrative Impact/Fiscal Effect*

- Given the scope of the refundable credits, the Department believes the fiscal effect would be substantial, and could total several million dollars per year, or more. The attached tables show a range of conservative fiscal estimates that could occur under the bill. The tables assume two scenarios: the first that 50% of activities that generate credit under the bill would be attributable to businesses located in Madison or Milwaukee and, therefore, not eligible for credit, and the second that 33% of those activities would be in Madison or Milwaukee. The tables show three possible fiscal effects of 10%, 5% or 1% of the remaining businesses qualifying for credits. The estimates understate the revenue impact of the bill because three components (individual capital gains credit, jobs increased payroll credit and jobs all payroll and property in the zone credit) are not included in the estimates.
- The program created by the bill would not be limited by geographical constraints normally associated with a designated zone. Because the acreage in the zones do not have to be contiguous, subzones could be carved out that would substantially increase the fiscal effect of the proposal. As such, the program could be used to single out businesses with the largest taxes and other compensated expenses for certification.
- For businesses certified by Commerce for all three credits, it is unclear what it means to begin operations in a zone. For example, it is unclear if the sale of a business in a zone to another person would qualify the new owner as starting business operations.
- For purposes of the rural enterprise development zone jobs credit under paragraphs 71.28(3w)(bm)4 and 71.47(3w)(bm)4, it is unclear what is included in the amount paid to upgrade or improve the skills of employees, or if it includes wages of a supervisor who trains new employees. For purposes of paragraphs 71.28(3w)(c) and 71.47(3w)(c), a refund is

allowed for credit that exceeds tax due under 71.02. It should also be allowed for credit that exceeds tax due under section 71.08.

Prepared by: Pam Walgren (608) 266-7817

November 14, 2005

PW:skr  
L:\session 05-07\hearings\pw\asa1ab208.doc

Attachment

**ASSUME 33% OF BUSINESSES ARE LOCATED IN MADISON OR MILWAUKEE AND NOT ELIGIBLE FOR CREDIT**

Credits	Not in Milwaukee or Madison		10% Qualify		5% Qualify		1% Qualify	
	Statewide Numbers							
Individual Capital Gains	\$	7,280,000	\$	487,760	\$	243,880	\$	48,776
Individual Net Income								
Individual & Corporate Jobs								
Sales Tax		1,600,000,000		107,200,000		53,600,000		10,720,000
Personal Property Tax		232,300,000		15,564,100		7,782,050		1,556,410
Employer Training Expenses		80,000,000		5,360,000		2,680,000		536,000
Increased Payroll								
100% in Zone								
Estimated Fiscal Effect	\$	1,874,580,000	\$	125,109,100	\$	62,554,550	\$	12,510,910

**ASSUME 50% OF BUSINESSES ARE LOCATED IN MADISON OR MILWAUKEE AND NOT ELIGIBLE FOR CREDIT**

Credits	Not in Milwaukee or Madison		10% Qualify		5% Qualify		1% Qualify	
	Statewide Numbers							
Individual Capital Gains	\$	7,280,000	\$	364,000	\$	182,000	\$	36,400
Individual Net Income								
Individual & Corporate Jobs								
Sales Tax		1,600,000,000		80,000,000		40,000,000		8,000,000
Personal Property Tax		232,300,000		11,615,000		5,807,500		1,161,500
Employer Training Expenses		80,000,000		4,000,000		2,000,000		400,000
Increased Payroll								
100% in Zone								
Estimated Fiscal Effect	\$	1,919,580,000	\$	95,615,000	\$	47,807,500	\$	9,561,500





March 23, 2005

**EXECUTIVE SESSION HELD**

Present: (5) Representatives M. Williams, Suder, Kestell,  
Mursau and Nelson.

Absent: (3) Representatives Ott, Gronemus and Black.

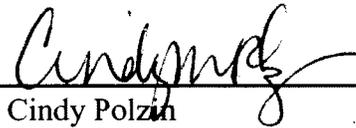
Moved by Representative Kestell, seconded by Representative  
Nelson that **Assembly Bill 208** be recommended for passage.

Ayes: (5) Representatives M. Williams, Suder, Kestell,  
Mursau and Nelson.

Noes: (0) None.

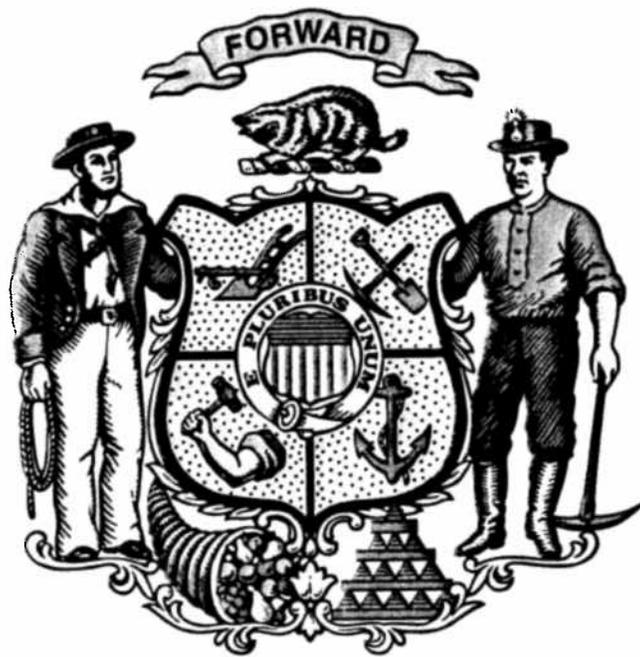
Absent: (3) Representatives Ott, Gronemus and Black.

PASSAGE RECOMMENDED, Ayes 5, Noes 0



---

Cindy Polzin  
Committee Clerk





Ayes: (4) Senators Decker and Taylor; Representatives Pocan and Colon.  
Noes: (11) Senators S. Fitzgerald, Lazich, Darling, Cowles, Leibham and Olsen; Representatives Kaufert, Jensen, Stone, Rhoades and Meyer.  
Absent: (1) Representative Ward.

INTRODUCTION AND ADOPTION OF ASSEMBLY  
AMENDMENT LRB 0399/2 TO ASSEMBLY SUBSTITUTE  
AMENDMENT LRB 0060/1 NOT RECOMMENDED, Ayes 4,  
Noes 11

Moved by Representative Kaufert, seconded by Senator S. Fitzgerald that **Assembly Substitute Amendment LRB 0060/1** be recommended for introduction and adoption.

Ayes: (9) Senators S. Fitzgerald, Darling, Leibham and Olsen; Representatives Kaufert, Jensen, Stone, Rhoades and Meyer.  
Noes: (6) Senators Lazich, Cowles, Decker and Taylor; Representatives Pocan and Colon.  
Absent: (1) Representative Ward.

INTRODUCTION AND ADOPTION OF ASSEMBLY  
SUBSTITUTE AMENDMENT LRB 0060/1 RECOMMENDED,  
Ayes 9, Noes 6

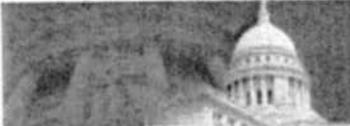
Moved by Representative Kaufert, seconded by Senator S. Fitzgerald that **Assembly Bill 208** be recommended for passage as amended with emergency statement attached, pursuant to s. 16.47 (2), Wisconsin Statutes.

Ayes: (9) Senators S. Fitzgerald, Darling, Leibham and Olsen; Representatives Kaufert, Jensen, Stone, Rhoades and Meyer.  
Noes: (6) Senators Lazich, Cowles, Decker and Taylor; Representatives Pocan and Colon.  
Absent: (1) Representative Ward.

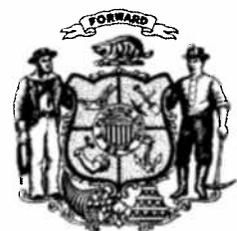
PASSAGE AS AMENDED RECOMMENDED, Ayes 9, Noes 6



Diane Harmelink  
Committee Clerk



WISCONSIN STATE LEGISLATURE



WISCONSIN ASSEMBLY  
2005-2006 SESSION  
Speaker Gard

**AB 208**  
BY SUDER  
JOB OPPORTUNITY BUILDING DEVELOPMENT ZONES  
SUSPEND RULES FOR THIRD READING

AYES - 61 NAYS - 35 NOT VOTING - 3 PAIRED - 0

A N NV NAME	A N NV NAME	A N NV NAME
A AINSWORTH (R)	A KESTELL (R)	N SCHNEIDER (D)
A ALBERS (R)	A KLEEFISCH (R)	N SEIDEL (D)
A BALLWEG (R)	A KRAWCZYK (R)	N SHERIDAN (D)
N BENEDICT (D)	A KREIBICH (R)	N SHERMAN (D)
N BERCEAU (D)	X KREUSER (D)	N SHILLING (D)
A BIES (R)	N KRUSICK (D)	X SINICKI (D)
N BLACK (D)	X LAMB (R)	N STASKUNAS (D)
N BOYLE (D)	A LASEE (R)	N STEINBRINK (D)
N COLON (D)	N LEHMAN (D)	A STONE (R)
N CULLEN (D)	A LEMAHIEU (R)	A STRACHOTA (R)
A DAVIS (R)	A LOEFFELHOLZ (R)	A SUDER (R)
N FIELDS (D)	A LOTHIAN (R)	N TOLES (D)
A FITZGERALD (R)	A MCCORMICK (R)	A TOWNS (R)
A FREESE (R)	A MEYER (R)	A TOWNSEND (R)
A FRISKE (R)	N MOLEPSKE (D)	N TRAVIS (D)
A GIELOW (R)	A MONTGOMERY (R)	N TURNER (D)
A GOTTLIEB (R)	A MOULTON (R)	A UNDERHEIM (R)
N GRIGSBY (D)	A MURSAU (R)	N VAN AKKEREN (D)
A GRONEMUS (D)	A MUSSER (R)	A VAN ROY (R)
A GUNDERSON (R)	A NASS (R)	A VOS (R)
A GUNDRUM (R)	N NELSON (D)	A VRAKAS (R)
A HAHN (R)	A NERISON (R)	N VRUWINK (D)
N HEBL (D)	A NISCHKE (R)	A VUKMIR (R)
A HINES (R)	A OTT (R)	A WARD (R)
A HONADEL (R)	A OWENS (R)	N WASSERMAN (D)
A HUBLER (D)	N PARISI (D)	A WIECKERT (R)
A HUEBSCH (R)	A PETROWSKI (R)	N WILLIAMS, A. (D)
A HUNDERTMARK (R)	A PETTIS (R)	A WILLIAMS, M. (R)
A JENSEN (R)	N POCAN (D)	A WOOD (R)
A JESKEWITZ (R)	N POPE-ROBERTS (D)	N YOUNG (D)
A KAUFERT (R)	A PRIDEMORE (R)	N ZEPNICK (D)
A KERKMAN (R)	A RHOADES (R)	N ZIEGELBAUER (D)
N KESSLER (D)	N RICHARDS (D)	A SPEAKER (R)

IN CHAIR: FREESE

NO VACANT DISTRICTS

SEQUENCE NO. 8  
Thursday, April 07, 2006  
1:34 PM

WISCONSIN ASSEMBLY  
2005-2006 SESSION  
Speaker Gard

**AB 208**  
BY SUDER  
JOB OPPORTUNITY BUILDING DEVELOPMENT ZONES  
PASSAGE

AYES - 65 NAYS - 33 NOT VOTING - 1 PAIRED - 0

A N NV NAME	A N NV NAME	A N NV NAME
A AINSWORTH (R)	A KESTELL (R)	N SCHNEIDER (D)
A ALBERS (R)	A KLEEFISCH (R)	N SEIDEL (D)
A BALLWEG (R)	A KRAWCZYK (R)	N SHERIDAN (D)
N BENEDICT (D)	A KREIBICH (R)	A SHERMAN (D)
N BERCEAU (D)	N KREUSER (D)	N SHILLING (D)
A BIES (R)	N KRUSICK (D)	X SINICKI (D)
N BLACK (D)	A LAMB (R)	N STASKUNAS (D)
N BOYLE (D)	A LASEE (R)	N STEINBRINK (D)
N COLON (D)	N LEHMAN (D)	A STONE (R)
N CULLEN (D)	A LEMAHIEU (R)	A STRACHOTA (R)
A DAVIS (R)	A LOEFFELHOLZ (R)	A SUDER (R)
N FIELDS (D)	A LOTHIAN (R)	N TOLES (D)
A FITZGERALD (R)	A MCCORMICK (R)	A TOWNS (R)
A FREESE (R)	A MEYER (R)	A TOWNSEND (R)
A FRISKE (R)	N MOLEPSKE (D)	N TRAVIS (D)
A GIELOW (R)	A MONTGOMERY (R)	N TURNER (D)
A GOTTLIEB (R)	A MOULTON (R)	A UNDERHEIM (R)
N GRIGSBY (D)	A MURSAU (R)	N VAN AKKEREN (D)
A GRONEMUS (D)	A MUSSER (R)	A VAN ROY (R)
A GUNDERSON (R)	A NASS (R)	A VOS (R)
A GUNDRUM (R)	A NELSON (D)	A VRAKAS (R)
A HAHN (R)	A NERISON (R)	A VRUWINK (D)
N HEBL (D)	A NISCHKE (R)	A VUKMIR (R)
A HINES (R)	A OTT (R)	A WARD (R)
A HONADEL (R)	A OWENS (R)	N WASSERMAN (D)
A HUBLER (D)	N PARISI (D)	A WIECKERT (R)
A HUEBSCH (R)	A PETROWSKI (R)	N WILLIAMS, A. (D)
A HUNDERTMARK (R)	A PETTIS (R)	A WILLIAMS, M. (R)
A JENSEN (R)	N POCAN (D)	A WOOD (R)
A JESKEWITZ (R)	N POPE-ROBERTS (D)	N YOUNG (D)
A KAUFERT (R)	A PRIDEMORE (R)	N ZEPNICK (D)
A KERKMAN (R)	A RHOADES (R)	N ZIEGELBAUER (D)
N KESSLER (D)	N RICHARDS (D)	A SPEAKER (R)

IN CHAIR: FREESE

NO VACANT DISTRICTS

SEQUENCE NO. 87  
Tuesday, April 12, 2005  
3:24 PM



WISCONSIN STATE LEGISLATURE



# J.O.B.Z = Job Opportunity Business Zones

- Similar tax-free zone programs are currently operating in Michigan (Renaissance Zones), Pennsylvania (Keystone Opportunity Zones) and most recently Minnesota (Rural JOB Zones). Each of these states has had overwhelming success in attracting businesses, creating high paying jobs, and spurring billions of dollars in new capital investments in the tax-free zones.
- The Minnesota program alone has attracted **130 businesses** to the new zones representing the creation of nearly **2,500 high-paying jobs** and over **\$400 million in new capital investments in its FIRST year alone**. Several hundred job creating opportunities have been lost in our state thanks to competing businesses moving their operations to Minnesota to take advantage of the new program.
- Our Wisconsin Rural JOBZ Act will move our state forward in the business recruitment battle with other Midwestern states by providing refundable tax credits to businesses for: corporate franchise taxes; income taxes for operators or investors; capital gains taxes; sales taxes on goods and services used in the zone (if they are purchased from other businesses within the zone); and property taxes on improvement projects.

## Why we need JOBZ in Wisconsin?

- To stimulate business investment and job creation in rural Wisconsin by providing refundable tax credits to companies that expand or relocate to one of the 10 Rural Job Opportunity Business Zones
- Our Rural JOBZ Bill will provide refundable income, franchise, capital gains, and sales tax credits to businesses for relocating to rural Wisconsin and in the process creating family-supporting jobs for residents of these communities
- Our Rural JOBZ bill will provide local communities with the valuable economic development tools they need to attract businesses and keep pace economically with more populated areas of the state like Milwaukee and Madison

## Who is supporting the Rural JOBZ Act?

- Wisconsin Economic Development Association, Wisconsin Counties Association, Wisconsin Towns Association, WMC, Wisconsin Realtors Association, Wisconsin Builders Association, Wisconsin Housing Alliance, Community Bankers of Wisconsin



# Jobz/Wisconsin may be best in long run, official says

From Page 1D

Bossany declined to reveal which projects Wisconsin lost to Minnesota, saying confidentiality was promised.

However, one of the biggest JOBZ wins was a \$25 million research center that Polaris Industries decided to put in Wyoming, Minn. Western Wisconsin was competing for the center as well, as Polaris has a facility in Osceola, several sources said.

The center will employ 300, including some jobs that will be moved from Osceola.

Minnesota's Commissioner of Department of Employment and Economic Development Matt Kramer said that Polaris would have built in Osceola if Wyoming weren't in the JOBZ tax-free zone, according to media reports.

Other JOBZ deals with companies that have Wisconsin connections include:

- Andersen Corp. decided to build a 150,000-square-foot window parts manufacturing plant in North Branch, Minn., creating 135 jobs paying about \$17.50 an hour. Menomonie also was under consideration for the expansion, as Andersen already has a factory there, sources said.
- Mayo Collaborative Services, Mayo's for-profit medical testing arm, expanded into a building formerly occupied by Celestica in Rochester, Minn. The expansion has 439 jobs paying \$9.73 an hour. Mayo is the parent of Luther Midelfort in Eau Claire.
- Wausau-based Wausau Paper opened a new factory in Brainerd, Minn., at a closed mill that it bought for \$9.6 million. It will create 75 jobs paying about

\$12 an hour.

Menards' recent expansion in Belgrade, Minn., was not in a JOBZ zone, but Minnesota can use JOBZ as a draw as it tries to lure more Menards jobs to Minnesota, Wisconsin legislators say.

But Wisconsin has had some economic development wins against Minnesota as well, including the new Ford parts distribution center in Menomonie that employs about 50, said Tony Hozeny, a Wisconsin Department of Commerce spokesman.

Wisconsin's constitution doesn't allow the kind of tax breaks JOBZ allows, Hozeny said, but the state does have the technology zone program and a tax exemption for manufacturing equipment and inventory.

Gov. Jim Doyle has sent a message to business by balanc-

ing the budget and proposing worker training programs, Hozeny said.

"When you look at the whole thing here, we feel pretty good about what we have to offer in Wisconsin," he said.

Mike Schatz, economic development administrator for the city of Eau Claire, said he's heard of other western Wisconsin communities losing jobs to Minnesota, but he didn't know of any that Eau Claire had lost. It may have happened without him knowing, he said.

"A lot of a times you get eliminated, and they don't tell you why," Schatz said.

But Schatz said it would be an easy decision for a business to go to a JOBZ community because of the tax savings. Wisconsin economic develo-

ers will have to work smarter, telling prospective companies of the state's natural resources, educated workforce and other advantages, Schatz said.

"We won't be able to tell them taxes are lower or the cost of building is lower," he said. Within Minnesota, the JOBZ program has been criticized by some who question whether the state is forfeiting tax revenue merely to move jobs around and whether the program

rewards firms paying low wages.

"In the long run we're not even sure if that's a good policy for Minnesota; if losing money that businesses normally would have paid will have to be made up somewhere else," Schatz said. "In the short term it's something we would have a hard time competing with."

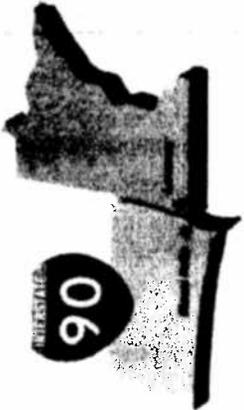
Klein can be reached at 833-9204, (800) 236-7077 or michael.klein@ecpc.com.

Diversified Mortar-  
pla-

# Considering Business Expansion or Relocation? LIVERNE, MINNESOTA WANTS YOU IN OUR TAX FREE ZONE!

## What 'Tax Free Zones' are:

- NO property tax on commercial & industrial improvements
- NO sales tax on goods & services used in the zone
- NO income tax for operators or investors
- NO corporate franchise tax
- NO wind energy production tax
- YES employment tax credit for high paying jobs



**Liverne** A Community that Businesses  
and Residents  
are proud to call home.

## Additional Business Incentives Available

- Fully Improved Business & Industrial Park Land at Low Cost
- Technology Grants & Loans
- Revolving Loan Funds
- Tax Increment Financing
- Employee Recruitment/Training Assistance
- Municipally Owned Electric Utility - Low Rates



## Related Community Assets

- Excellent Transportation Access
  - Immediate Access to I-90 & US Hwy 75
  - Immediate Access to Rail Service
  - Municipal Airport
- Exceptional Medical Facilities
  - New Hospital (opens 2008)
  - Affiliate of Sioux Valley Health Systems
- Outstanding Local Education System
  - 80 Acre Single Site K-12 Campus
  - Consistently Top-Rated Education
- Exceptional Local Parks System
  - Beautiful City Park
  - 26 Neighborhood Pocket Parks
  - Blue Mounds State Park
  - exceptional camping & hiking
- Law Enforcement/Community Safety
  - Very low crime rate
  - County-wide law enforcement
- Community Owned & Operated Pool & Fitness Center



## For Further Information:

Contact Jill Wolf, Economic Development Director or visit [www.cityofliverne.org](http://www.cityofliverne.org)  
1-877-855-6118

**LIVERNE... Where Government, Businesses, Schools, & Residents Work Together for Community Good**

Source: Full Page Ad appeared in Eau Claire Leader-Telegram 3-19-11



Staff photo by Dan Reiland

Harmon Solutions' call center at 404 S. Barstow St. employs about 160 workers and may grow to 250. Company officials chose Eau Claire as a site last summer after being enticed by incentives. Legislators hope to pass a law that would offer more lucrative incentives to businesses moving to rural Wisconsin.

# State looking for JOBZ

## *Legislators push business incentives plan*

By Michael Klein  
Leader-Telegram staff

Last summer Wisconsin was making a bid to land a 160-employee call center for Harmon Solutions. But the state's incentive package wasn't as lucrative as some offers from other states, particularly Texas, President Paul Gross said.

Harmon eventually put the center in Eau Claire because of the strong work ethic and the neutral Midwestern accents of the local workforce, as well as the hard work of local economic developers, Gross said.

Still, Gross thinks bigger incentive pack-

ages would help draw more businesses to Wisconsin.

"I think it's a big part of the decision-making process," Gross said. "I think today there's just so much benefit from the tax dollars that are generated" by new businesses.

Two western Wisconsin state legislators have proposed a more lucrative incentive program to draw businesses to the state's rural areas, particularly northern Wisconsin.

The proposed "Rural JOBZ Act" is patterned after Minnesota's JOBZ, which already has attracted some jobs from

Wisconsin, said state Rep. Scott Suder, R-Abbotsford, who co-sponsored the bill with state Sen. Dave Zien, R-Eau Claire.

Qualifying businesses that expand in or move to one of the 10 zones in rural Wisconsin would get refundable tax credits for corporate franchise taxes, property taxes, capital gains taxes and sales taxes. Their owners or operators even could claim refunds on income taxes.

The proposal comes as the war for jobs has heated up between the states.

Eau Claire-based Menards recently decided to move an expanded fixtures plant to Belgrade, Minn., and legislators

See **JOBZ**, Page 2A

Source: Eau Claire Leader-Telegram 3-20-06

# JOBZ/Lafond trying to lure jobs to Minnesota

from Page 1

fear more Menards jobs will be lured to Minnesota and Illinois.

In fact, the southwestern Minnesota community of Luverne advertised last week in the Leader-Telegram in an attempt to lure businesses from the Chippewa Valley.

"Luverne, Minnesota wants you in our tax-free zone!" the advertisement blared in capital letters.

Economic developers said the proposed JOBZ program will help Wisconsin stay competitive with Minnesota in the short term, but the long-term effects are unknown.

"If businesses are paying less taxes, will more of that shift to residents?" asked Milan Schatz, economic development administrator for the city of Eau Claire. "That's the part you wonder about."

Brian Doudina, director of the Eau Claire Area Economic Development Corp., said Minnesota's JOBZ program is only a year old, and its success will be measured by its long-term effects.

JOBZ, which stands for Job Opportunity Building Zones, offers exemptions from most state and local business taxes for 12 years. JOBZ zones cover all of Minnesota except the Twin Cities metropolitan area, with the intent of drawing businesses to depressed rural areas.

Suder said he's taken a close look at the Minnesota program, which generated \$65 million in capital investment in its first year and created 2,000 well-paying jobs.

Minnesota's JOBZ stole jobs from Wisconsin, he said. In particular, a Polaris expansion creating 300 jobs and an Andersen Windows expansion creating

135 jobs were considered for west-central Wisconsin but went to Minnesota because of JOBZ credits.

"It's pretty common sense," Suder said. "They're taking our jobs, luring jobs from Wisconsin and other states, and we need to be competitive."

But drafting a similar program for Wisconsin was difficult because the uniformity clause in the state's constitution prevents allowing exemptions of property taxes.

The proposed Wisconsin JOBZ program would create 10 rural job opportunity business zones, targeting underdeveloped areas of the state. With rural areas getting first crack, "The zone can't include cities with populations greater than 200,000, which excludes only Madison and Milwaukee.

The zones haven't been determined, but the program encourages municipalities to cooperate as they apply to be included in zones. Local municipalities can provide their own incentives in combination with the state ones, Suder said.

Tax benefits for qualifying businesses would include:

- Credits for sales taxes on goods and services purchased and used within the zone.
- Credits for property taxes on improvement projects in the zone.
- Tax credits for capital gains derived from the sale of property and equipment used by a business in the zone.
- Income tax credits for business owners and operators for the income from operating the business.
- Tax credits based on employee pay and training in the zone.

Qualifying businesses must increase employment by 10 per

cent in the first year, Suder said. As in Minnesota, the businesses would qualify for the benefits for 12 years.

"What we don't want to happen is have businesses move from one part of the state to another," Suder said. "That's not allowed in the bill. We're not going to pit southern Wisconsin against northern Wisconsin."

The cost of the bill is unknown, Suder said, although tax credits may have to be capped at some point.

"I think we have to keep a close watch on it because we don't want to break the bank in terms of the budget," he said.

However, the bill is estimated to bring in between \$80 million and \$100 million in new capital investments, he said.

"If we do achieve what Minnesota achieved in the first year, I think it will be a tremendous success by bringing those jobs here," Suder said. "In the long run it will make sure our economy remains strong."

Suder said he hopes to get quick action on the bill, which was heard by the Rural Affairs Committee last week and is set to hit the floor of the Legislature shortly.

"I don't think Wisconsin has any other choice but to pass this program to remain competitive," Suder said.

Zien also said it's an urgent matter, as many employers are getting the notion that Wisconsin is not a good place for doing business. Companies such as Menards, Ashley and Ace Hardware are clanking with regulators, he said.

"We have to do anything and everything possible for rural areas and all employers," he said. "It's almost to the point of the situation becoming severe." Wisconsin has not been

aggressive on incentives in the past, and this bill will change that, economic developers and business people agree.

Gross said Eau Claire's \$300,000 incentive package was a key part of persuading Harmon to locate here, even though the offer wasn't as lucrative as those from other states.

"Without incentives we would have been hard-pressed to justify any existence in Wisconsin," he said.

Gross also said Eau Claire is fortunate to have economic developers such as Schatz going the extra mile to make businesses feel wanted.

Jim Vaudreuil, owner of Hubsch Services in Eau Claire, said western Wisconsin's economy is thriving because it's tied closely to the Twin Cities.

"It really is a dynamic market," he said. "Personally, I think Eau Claire benefits by its proximity to the Twin Cities. It's almost like we're part of the Minnesota market."

Meanwhile, Greg LaFond, Luverne, Minn., said his city has launched a campaign to attract businesses from Wisconsin. It plans to advertise in newspapers across Wisconsin, starting in Eau Claire. LaFond formerly was administrator of Altoona.

The JOBZ benefits provide an opportunity for businesses, but Luverne has other attractions, such as a good quality of life, access to highways and low crime, LaFond said.

Luverne officials are talking to a half-dozen or so Wisconsin companies about expanding in the southwestern Minnesota community of about 4,700 residents, LaFond said.

"There's an awful lot of competition out there, with various municipalities and states

attempting to try to draw business expansion and relocation to their communities," LaFond said.

"Businesses are there to make money, and they want to take advantage of various circumstances if they can."

"We're aggressive, yes, and we

intend to continue to be aggressive," he said. "I don't think anyone in our city government is interested in sitting back and waiting for people to see you."

Klein can be reached at 833-9204, (800) 236-7077 or michael.klein@ccpc.com.



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## Bill aims to bring JOBZ to state

### Tax breaks would seek to stem loss to Minnesota

By RICK ROMELL  
[rromell@journalsentinel.com](mailto:rromell@journalsentinel.com)

Posted: Nov. 6, 2005

Spurred by Minnesota's adoption of aggressive tax breaks for businesses that move to, start up or expand in rural areas, Wisconsin legislators are pushing for a similar program here.

The 2-year-old Minnesota incentives have snagged at least three projects that together are expected to produce 500 jobs, and for which Wisconsin was in the running.

"We absolutely have to have this program to compete with Minnesota," said Rep. Scott Suder (R-Abbotsford), chief sponsor of the Wisconsin legislation. "Otherwise it will get worse."

Andersen Corp., Polaris Industries Inc. and Aldi Inc. all were considering western Wisconsin sites for plants that instead went to Minnesota.

But beyond those decisions, evidence that the Minnesota tax breaks have significantly affected Wisconsin is limited.

Three quarters of the 199 businesses that have signed agreements to get the incentives - dubbed JOBZ, for Job Opportunity Building Zone - are either expanding within Minnesota or moving within the state. Most of the rest were start-ups.

Fewer than 10 of the deals have been for businesses relocating to Minnesota from elsewhere. Only one of those affected Wisconsin jobs - about 25 of them, in a decision that essentially transferred their work site just across the Wisconsin-Minnesota state line and required none of the employees to move.

But Wisconsin has missed some opportunities, said Jack Geller, president of the Center for Rural Policy and Development, a St. Peter, Minn., organization that has studied the state's incentive program.

Recreational vehicle maker Polaris this spring opened a research and development plant in Wyoming, Minn., which employs 170 people, most of them engineers, and is expected to have 300 workers within four years.

Polaris had considered placing the plant 20 miles east in Osceola, Wis., where the company has a parts factory, but opted for Wyoming because of the Minnesota tax breaks.

"The JOBZ program was probably the deciding factor," Polaris spokeswoman Marlys Knutson said.

Similarly, an Andersen spokeswoman said the tax incentives were among the chief reasons the window- and door-maker chose North Branch, Minn. over Menomonie, Wis., for a factory that is expected to create 135 new jobs. Like the Polaris operation in Wyoming, the Andersen factory

#### JOBZ Bill



Photo/File

**“ We absolutely have to have this program to compete with Minnesota. Otherwise it will get worse. ”**

- State Rep. Scott Suder, (R-Abbotsford)

#### Quotable

**“ Without JOBZ, this facility would be in Wisconsin. ”**

- Jesse Anesi, real estate director for Aldi, on the company choosing Faribault, Minn., as the site of a distribution center

#### Archive Coverage

is near Wisconsin, standing about 20 miles west of St. Croix Falls.

German food giant Aldi Inc. was looking at Hudson, Wis. - another town on the Wisconsin-Minnesota line - for a 78-employee, 515,000-square-foot distribution center, but chose to locate in Faribault, Minn., 50 miles south of Minneapolis.



"Without JOBZ, this facility would be in Wisconsin," Aldi real estate director Jesse Anesi was quoted as saying in a Minnesota state government press release announcing the deal Aug. 31.

Section: State  
Politics

In an interview, though, a regional Aldi representative backpedaled, saying the tax breaks hadn't dictated the company's decision. Executive assistant Kela Luers said Faribault made more sense geographically, being closer to where Aldi plans to expand.

Suder also has said Wausau Paper Corp. moved operations from Wisconsin to Minnesota to pick up the tax breaks.

But Scott P. Doescher, chief financial officer for Wausau Paper, said the company's purchase about a year ago of an idled paper mill in Brainerd, Minn., wasn't a Wisconsin-vs.-Minnesota decision.

Rather, he said, the mill "was an excellent fit" for Wausau Paper. The Minnesota tax breaks "really helped make the acquisition . . . economically viable," Doescher said. But he said no jobs were moved from Wisconsin to Brainerd.

Geller said manufacturers expand only when they believe demand for their goods exceeds their ability to produce them.

"And if they decide they need more capacity, they expand," he said. "They don't expand because of taxes."

But once that decision is made, programs such as JOBZ can affect where a firm expands, Geller said.

It doesn't always work so neatly, though. Take the case of Pracs Institute Ltd., a pharmaceutical research firm based in Fargo, N.D. It opened a plant in a JOBZ zone in East Grand Forks, Minn., and is happily accepting the attendant tax benefits, but they weren't why the company located there, human resources director Marla McIntyre said.

"To be honest with you, we went there because that was the available space for land," she said.

Suder patterned his bill on the Minnesota program. Both pay companies for creating jobs. Both offer tax benefits for 12 years, though the clock runs differently in each state.

But where Minnesota's law provides exemptions from state income taxes and from some sales and property taxes, Suder's bill generally offers the incentives as credits against state income tax payments.

The Wisconsin bill had to be structured that way because of the state constitution's uniformity clause, which requires that different types of property be taxed in an equal manner.

In both states, the tax breaks on income matter only if a business has income to tax, and many start-ups don't, at least in their early stages.

Neither state's property tax incentives apply to land, but Minnesota's exemption includes taxes on improvements such as buildings. Wisconsin's credit is more limited, counting only against personal property - things such as furniture and fixtures.

"That's going to really hurt," Geller said of Wisconsin's approach. Many businesses likely will save more from property tax breaks than they will from income tax incentives, he said.

Suder said, though, that Wisconsin's program would at least match the one in Minnesota.

"Benefits the companies and employees and investors will receive will be the same or greater," he said. His bill, he said, provides incentives for job training and education Minnesota doesn't offer.

Asked whether incentives such as he has proposed shift the tax burden to homeowners and non-participating businesses, Suder said, "my answer for that is if we don't encourage businesses to expand and we don't lure new businesses in, our small, rural communities will continue to suffer and may go by the wayside."

Suder's bill has passed the Assembly and is pending in the state Senate.

From the Nov. 7, 2005, editions of the Milwaukee Journal Sentinel  
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## OUR VIEW

# Valley needs fast action on JOBZ Act

**S**tate Rep. Scott Suder (R-Abbotsford) has done the Chippewa Valley a favor with some fast action on a growing economic development problem in the area. Now it's up to the legislature to follow suit.

Suder's Rural JOBZ Act is a response to a similar program in Minnesota that has cost western Wisconsin jobs.

Minnesota's program essentially lets companies off the hook on property taxes for a period of time in exchange for creating jobs in rural areas. It has generated over \$400 million in new capital investments and helped create nearly 2,500 jobs there.

And some of those jobs were on their way here, to western Wisconsin. Economic development leaders have complained that Minnesota's program is killing their efforts. Some projects scheduled for Wisconsin suddenly went west as a result.

Suder's bill, co-sponsored by State Sen. Dave Zien (R-Wheaton), is an attempt to duplicate that success here. It would establish 10 rural Job Opportunity Business Zones in underdeveloped areas. Companies relocating or expanding to these areas would earn state and local tax credits.

Finding some program to put on the table to compete with Minnesota's JOBZ program was a major issue discussed with legislators at the Chippewa Valley Rally in January. Suder's bill appears to fill that need.

The Assembly Rural Development Committee, of which Suder is vice chairman, just held a public hearing on the bill, which is on the Assembly leadership's 100-day agenda.

We urge the legislature to keep this one on the fast track, before Minnesota gains more jobs at western Wisconsin's expense.

**Source: The Chippewa Herald 3-17-05**



# Wisconsin Builders Association

*Dedicated to Preserving and Promoting the American Dream*

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Green Bay

Jim Klappa  
Milwaukee

Gary Verhasek  
Oceola

Gary Rootrig



March 16, 2005

Representative Scott Suder  
21 North, State Capitol  
Madison WI 53703

Dear Representative Suder,

We are writing you today to offer our support for Assembly Bill 208 (AB 208). AB 208 will create rural enterprise development zones and providing tax incentives to qualified businesses in the zones, create refundable individual income tax credits for income and capital gains derived from the zones and help spur economic development in rural areas of our state.

A similar bill was highly successful in the creation of 2000 new high paying jobs in rural areas of Minnesota.

We would like to offer our help in passing this important piece of legislation this session.

Please let us know if we can help you in your efforts this spring to pass AB 208.

Sincerely,

**JERRY DESCHANE**  
Deputy Executive Vice-President

**BRAD BOYCKS**  
Director of Political Affairs

CC: Senator David Zien

4868 High Crossing Boulevard • Madison, Wisconsin 53704-7403  
(608) 242-5151 • (800) 362-9066 • Fax (608) 242-5150  
[www.wisbuild.org](http://www.wisbuild.org)



March 16, 2005

Ken Frazier  
Executive Director

Amy Bliss  
Assistant Executive Director

Luke Rollins  
Director of Government Affairs

Jake Patten  
Director of Member Services

Assembly Committee on Rural Development:

The Wisconsin Housing Alliance urges your support for Assembly Bill 208.

The economic incentives available in the Rural Enterprise Zone Act would help the Wisconsin Housing Alliance to recruit factory-built housing manufacturing facilities and help encourage business expansion in Wisconsin.

The Wisconsin Housing Alliance represents over 450 businesses that include all aspects to the factory-built housing (modular and manufactured homes) industry. Wisconsin serves as the home for 12 manufacturers and almost 200 retailers of factory-built homes. And the Alliance works hard to expand this important manufacturing base.

Central Wisconsin has a strong and skilled workforce for factory-built housing and the Alliance actively recruits and encourages manufacturers to consider expansions and relocations to Wisconsin. As well, the significant size of the factory-built housing facilities often require a rural location. For example, many factories cluster in the Clark, Marathon, Wood and Portage county region.

The Rural Enterprise Zone Act would provide a helpful economic development tool for Wisconsin and would be an important tool in the Alliance's work to bring more factory-built housing jobs to Wisconsin.

Again, we urge your support for Assembly Bill 208.

Best regards,

Luke D. Rollins

Director of Government Affairs  
Wisconsin Housing Alliance

202 State Street, Suite 200  
Madison, WI 53703-2215

608-255-3131  
608-255-5595 Fax

www.wisconsinhousingalliance.com



March 24, 2005

Representative Scott Suder  
PO Box 8953  
Madison, WI 53708

Dear Senator Suder:

On behalf of the Community Bankers of Wisconsin (CBW) and our 215 member banks I would like to register our support for the Rural JOBZ Act (Assembly Bill 208). Thank you for your leadership in advancing this important legislation.

CBW members are community banks many of which are located in rural Wisconsin communities. Community banks are a vital and sometimes only source of capital for local small business investment. The Rural JOBZ Act will help stimulate economic activity and job creation in rural communities. These communities are a vital component to our states economy and to the families that live and work in these areas.

Thank you again for your leadership on this important issue.

Sincerely,

A handwritten signature in black ink that reads 'Daryll J. Lund'.

Daryll J. Lund, CAE  
President & CEO

OFFICE OF  
**CHIPPEWA COUNTY ADMINISTRATIVE  
COORDINATOR**

**Michael J. Murphy**

Administrative Coordinator/  
County Board Chair

711 N. Bridge St., Rm. 304  
Chippewa Falls, WI 54729

Phone: (715) 726-7977  
Fax: (715) 726-4599

**Connie J. Fisher**

Administrative Assistant/ Risk Manager

Phone: (715) 726-7984  
Fax: (715) 726-4599

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March 11, 2005

Assemblyman Scott Ruder  
State Representative—69<sup>th</sup> Assembly District  
Room 21 North State Capitol  
P.O. Box 8953  
Madison, WI 53708-0280

Re: Rural JOBZ Act – LRB 1297

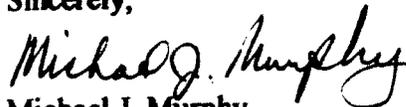
Dear Assemblyman Suder:

I am writing this letter of support of the Rural JOBZ Act on behalf of the Chippewa County Board and in the interest of promoting creation of jobs and economic development in the rural areas of Wisconsin. Neither I nor anyone from Chippewa County will be able to attend the public hearing on this bill being conducted by the Assembly Rural Development Committee so please provide this letter to the Committee for their consideration.

The Rural JOBZ Act that you and Senator Dave Zien are currently sponsoring is just the type of legislation that this part of Wisconsin needs as we compete with Minnesota to create jobs and keep jobs from moving west across the border. Chippewa County wholeheartedly supports your efforts to promote economic development through tax credits to businesses that expand or relocate in one of the 10 rural JOBZ zones.

Chippewa County is very active in promoting economic growth through job creation and your bill will provide another incentive to businesses to come to Chippewa County. As you know, the Minnesota rural business incentives have already cost Wisconsin jobs as businesses saw a more business friendly atmosphere to the west. Thank you to you and Dave Zien for all of your efforts and support for rural Wisconsin.

Sincerely,



Michael J. Murphy  
Chippewa County Board Chair

# SCOTT SUDER

State Representative Assembly District



*State Capitol Office:*  
Room 21 North  
P.O. Box 8953  
Madison, WI 53708-8953  
(608) 267-0280 • Fax: (608) 282-3669

*69th Assembly District:*  
Telephone/fax: (715) 223-6964  
Call toll-free: (888) 534-0069  
Rep.Suder@legis.state.wi.us  
[www.legis.state.wi.us/assembly/asm69/news](http://www.legis.state.wi.us/assembly/asm69/news)

March 23, 2005

The Honorable James Doyle  
Governor  
State of Wisconsin  
115 East, State Capitol  
Madison, WI 53702

Dear Governor Doyle:

I am writing to respectfully request your support of my Rural "JOBZ" Act, Assembly Bill 208, which would create refundable tax credits for businesses that relocate or expand to one of 10 Rural Job Opportunity Business Zones in underdeveloped areas throughout the state. As you may know this bill is being fast tracked in the State Assembly.

As I'm certain you are aware, Minnesota created a similar business incentive program last year that has attracted 130 new businesses, representing nearly 2,500 new jobs, and more than \$400 million in new capital investments in rural Minnesota in its first year alone. At least two Wisconsin businesses have moved their operations to Minnesota to take advantage of the new program resulting in nearly 200 family supporting Wisconsin jobs moving out of state. In fact, in last week's Eau Claire Leader-Telegram, a full-page ad targeting Chippewa Valley businesses appeared using the headline: 'Minnesota Wants You In Our Tax Free Zones!'

In the interests of business and job retention, I would very much like to work together with you in a bi-partisan manner on this proposal. I am confident that this initiative will help move Wisconsin forward in the business recruitment battle among other Midwestern states by rewarding businesses for making Wisconsin their home.

Once again, I am respectfully requesting your support of Assembly Bill 208 to protect Wisconsin communities from any further job losses and to help create a competitive edge for attracting new businesses to our state. I look forward to working with you and your office on this important job creation effort.

Sincerely,

A handwritten signature in black ink that reads "Scott Suder". The signature is fluid and cursive, written over the printed name.

Scott Suder  
State Representative  
Wisconsin's 69<sup>th</sup> Assembly District

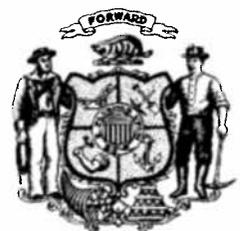
Cc: Speaker John Gard  
Majority Leader Dale Schultz

**Assembly Committee Assignments:**

Criminal Justice, Chairman • Rural Development, Vice Chairman • Corrections and the Courts  
Transportation • Agriculture • Law Revision • Rural Economic Development Board



# WISCONSIN STATE LEGISLATURE



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The Minneapolis/St. Paul Business Journal

From the April 25, 2005 print edition

## **JOBZ program under fire**

Critics question constitutionality of tax breaks aimed at economic development

Mark Reilly  
Staff Writer

Minnesota's JOBZ program often draws praise from economic development officials, as well as from Gov. Tim Pawlenty's administration, which launched the program just over a year ago. But the program -- which so far has been used to help more than 140 businesses get tax breaks in exchange for pledges of job growth -- has been hearing increased criticism in the State Capitol and in the courts.

A bill that would toughen the requirements for participants in the JOBZ program is under review by the state Legislature. Also, last month, a lawsuit targeted at both the JOBZ program and a similar program boosting bioscience groups claimed the programs violated the Minnesota and United States constitutions and give unfair advantage to some businesses.

"These programs stink," said John James, an attorney with Lommen, Nelson, Cole & Stageberg of Minneapolis, who filed the suit. "What you end up with is tax giveaways to a few businesses instead of improving the tax situation for everybody."

James is representing plaintiffs Alec Olson, a Spicer resident and a lieutenant governor under DFL Gov. Rudy Perpich in the 1970s, and Bill Haverstat, the principal of Butterworth Limited Partnership, which owns and operates a mobile-home park in Bloomington.

The suit names Matt Kramer, commissioner of the Minnesota Department of Employment and Economic Development (DEED), and Daniel Salomone, commissioner of the state Department of Revenue, as defendants, along with the state itself. DEED oversees the JOBZ and biosciences programs. The lawsuit claims the programs, which absolve companies that relocate to or expand into 13 state-defined zones of paying taxes for as many as 12 years, violate state laws.

Last week, the state responded to the suit, denying most of its claims and reiterating support for the JOBZ program.

"This is a very good economic development tool for us," said Kit Borgman, a spokeswoman for DEED.

Department officials said the JOBZ program has completed more than 140 deals since its launch in January 2004, adding 2,200 jobs to Minnesota's economy and retaining thousands more.

### **Critics question policy**

But observers pointed out many of those "new" jobs are actually pledges for jobs yet to come, and about half of the deals resulted in five new jobs or less.

Moreover, critics of the program claim many of the deals would have happened even without the tax breaks.

"In many cases, you're giving tax breaks to companies that were coming here anyway," said Art Rolnick, senior vice president and director of research for the Federal Reserve Bank of Minneapolis. He said such tax-incentive programs make for poor economic-development policy.

"The bottom line is: If you're running a company that's moving to Minnesota, you might as well say you're only thinking about moving" and pocket the extra tax savings, Rolnick said.

Michael Mazerov, an economist with the Center on Budget and Policy Priorities in Washington, D.C., echoed those comments.

"There's very compelling evidence that tax incentives aren't efficient," he said. "The one in 20 ventures that is moving to an area is outweighed by the lost revenue of the other 19, which you would have gotten anyway."

Borgman acknowledged there is no way of knowing how many companies that have participated in the JOBZ program wouldn't have invested in Minnesota without the tax breaks. "But we do know that some companies have told us they wouldn't have moved here otherwise," she said.

### **Taking another look**

Legislators are looking to toughen up requirements on the JOBZ program, such as increasing the number of jobs that must be created before companies can qualify for the tax break.

That amendment probably won't be welcomed by smaller businesses in rural Minnesota, said Jack Geller, president of the Center for Rural Policy and Development in St. Peter. "But it's worth asking the question of whether it's worth giving such a significant amount of tax breaks for a deal that may create three jobs."

Geller added supporters of the program have argued that so far, cities that have granted JOBZ deals have acted prudently and made good decisions.

### **Constitutionality questioned**

The lawsuit targeting the JOBZ program doesn't address the effectiveness of the program; instead, it focuses on the process of granting tax breaks to companies -- arguing the mechanism violates Minnesota's Constitution.

James pointed to a clause in the Minnesota law that says the state's power of taxation may not be surrendered or contracted away. "Well, they've surrendered it to the local economic development officials in league with the DEED people.

"It becomes taxation without representation for everybody but the businesses that are awarded these breaks," he said. "You end up with giveaways to a few businesses, while the rest of the state's employers have to keep on paying taxes, and it's the local officials making the decisions, not our legislators."

That uneven tax burden is what prompted Haverstat to consider a lawsuit.

"These tax breaks are for 12 years, which is going to greatly impact the little guy who doesn't get them," he said. "Somebody's going to have to pay these taxes, and it's the rest of us."

The suit also charges that by enticing businesses to move to Minnesota, the JOBZ program violates the Interstate Commerce clause of the U.S. Constitution.

That argument follows a groundbreaking case out of Ohio, in which a federal appeals court ruled that a tax-break policy with similarities to the JOBZ program was unconstitutional. The state and local governments are considering an appeal to the U.S. Supreme Court.

Peter Richfield, a law professor at Northeastern University in Boston, was the plaintiff's attorney in the Ohio case. He said he's convinced such tax breaks are bad policy, but he empathized with the local economic-development officials who employ them.

"From their point of view, nobody wants to be the first off the roller coaster, because all the other communities will outcompete you for business investment," he said. "You never want to be the one to unilaterally disarm."

In such an environment, it's up to the courts to save the states from themselves, he said. "No state is willing to say 'no,' but the Commerce Clause is designed to say 'no' for them."

Without such a ruling, critics of tax-break programs said states are doomed to a game of one-upmanship in tax breaks. As evidence, they pointed to a Wisconsin legislator who is drafting a bill to create a JOBZ-like program for rural areas that have to compete with Minnesota's JOBZ zones.

"The only people who win are the companies who play the game," Rolnick said.

James said he's talked with many people regarding the suit, "and nobody has said it's a bad idea." But few business groups have come out and openly criticized the JOBZ program, either.

The Minnesota Chamber of Commerce hasn't taken a position on the program. A spokesman said, "There is a wide variance of views on the subject," and that the litigation could help clear up some of the questions surrounding JOBZ.

Geller wondered if the suit could have a "chilling effect" on the program as companies question whether it will be invalidated.

Borgman, of DEED, said the pace of JOBZ applications has slowed in recent months, but attributed it to companies waiting to see if any legislative changes arise.

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