



State of Wisconsin

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STEPHEN R. MILLER
CHIEF

April 2, 2009

MEMORANDUM

To: Representative Fields

From: Joseph T. Kreye, Sr. Legislative Attorney, (608) 266-2263

Subject: Technical Memorandum to **2009 un-introduced** (LRB-1694/1) by **DOR**

We received the attached technical memorandum relating to your bill. This copy is for your information and your file.

If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

Barman, Mike

From: Barman, Mike
Sent: Thursday, April 02, 2009 3:00 PM
To: Rep.Fields
Subject: LRB 09-1694/1 (un-introduced) (Tech. Memo by DOR - attached - for your review)

Attachments: Tech_Memo_Fields.PDF



Tech_Memo_Fields.
PDF (152 KB)

Mike Barman (Senior Program Assistant)
State of Wisconsin - Legislative Reference Bureau
Legal Section - Front Office
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MEMORANDUM

March 12, 2009

TO: Joseph Kreye
Legislative Reference Bureau

FROM: Rebecca Boldt
Department of Revenue

SUBJECT: Technical Memorandum on LRB 1694/1 – An Income and Franchise Tax Credit for Hiring Certain Individuals

The Department has the following technical concerns with the above referenced bill:

- As currently drafted, a youth employee would have to furnish personal information as to family income to an employer so that the employer could determine if the family income is no more than 70% of the federal poverty line. Families may have reservations about furnishing such information.
- Under the bill, a “youth employee” must be at least 16 years of age but no more than 17 years of age. It is conceivable that providing a credit that is equal to 50% of wages could encourage employers to release an employee on the day he/she turns 17 and hire someone else who meets the age criteria.
- Sections 71.07(5c)(c)5., 71.28(5c)(c)5., and 71.47(5c)(c)5., provide that the credit must be repaid if an employee (except a youth employee) works for the claimant for less than 365 consecutive days. Does it mean the employee must actually work 365 days without a day off? The author may wish to change the language to say “works for the claimant for less than one year” or “is employed by the claimant for less than one year.”
- The amount of the credits is limited to \$6 million for an adult employee as defined in the bill, \$3 million for participants in a workforce development program and \$3 million for youth employees. Once the limit is reached for each class of employee, it appears the Department would have to deny credits to employers. This would be inequitable to some employers who hired certain individuals only because of the credit. Employers who file a calendar year return would be first to be allowed the credit. Fiscal year filers would be more likely to have the credit denied. An alternative would be to have the credit amounts certified by another department or departments as is done with other credits. This would provide certainty to the taxpayer while maintaining the fiscal limits.
- The maximum credit for a youth employee is unclear when the employee does not work the same number of hours each week. Assume the employee works 40 hours per week for four weeks. After school starts, the employee only works 20 hours per week for 12 weeks. During the 16-week period, the average number of hours per week is 25. Is the maximum credit \$200 per month because the average was less than 35 hours per week? Or is the maximum credit \$400 per month for the period in which the employee worked more than 35 hours per week plus \$200 per month for the period in which the employee worked less than 35 hours per week? The author may wish to clarify this.

- Based on information from the Department of Workforce Development, a person generally stops participating in a program administered by a local Workforce Development Board when they achieve employment. However, the bill provides a credit for wages paid to a person who is currently participating (present tense) in such a program. If the intent is to provide an incentive for employers to hire individuals who have used the services provided by a local workforce development board, the author may wish to change the language to refer to a person who had participated in a program administered by a local workforce development board (past tense) within a certain period of time before being hired.

If you have any questions regarding this technical memorandum, please contact Michael Oakleaf at 261-5173 or via email at Michael.oakleaf@dor.state.wi.us.