



WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

2011 Senate Bill 60

**Senate Substitute
Amendment 1**

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2011 Senate Bill 60

2011 Senate Bill 60 creates a property tax credit for improvements to real and personal property made as part of a business expansion. Specifically, under the bill, an owner of commercial or manufacturing property may apply to receive a two-year property tax credit for improvements made to an expanding business that employs at least 10 more employees than it employed three months prior to applying for the credit. The credits may be awarded in an amount equal to the fair market value of improvements made to the business multiplied by the local school tax levy rate.

Eligible property owners may file applications to receive the credits with their local county (or, in some cases, municipal) treasurers. Treasurers must then direct that the property for which an owner is entitled to receive a credit be identified on the next two tax rolls.

The bill creates a sum sufficient appropriation and a process whereby municipal governments shall receive funds in the amount of the credits. The bill also prohibits a municipality from taking the anticipated receipt of such distribution into account when determining the municipal tax rate.

Senate Substitute Amendment 1

Senate Substitute Amendment 1 to Senate Bill 60 restructures the tax credit created under the bill from a property tax credit to an income and franchise tax credit. The substitute amendment also adds a focus on small business expansion and adjusts the amount of the credit according to the number of full-time jobs created. Specifically, the substitute amendment creates a nonrefundable income tax credit, up to an amount equal to 1% of the actual cost of taxable improvements to real property and acquisitions of personal property made by a small business, provided that: (1) the improvements and acquisitions are made as part of expanding the small business; and (2) the business added at least one new full-time job as part of the expansion.

The substitute amendment defines:

- “Small business” to mean “a business entity, including its affiliates, which is independently owned and operated and not dominant in its field, and which employs 25 or fewer full-time employees or which has gross annual sales of less than \$5,000,000.”
- “Full-time job” to mean “a regular, non-seasonal full-time position in which an individual, as condition of employment, is required to work at least 2,080 hours per year, including paid leave and holidays.”

Under the substitute amendment, an eligible small business may apply to receive a tax credit in two consecutive tax years. In the *first year*, the business may receive a percentage of the credit based on the number of full-time employees added in the current taxable year compared to the previous taxable year, as follows:

- 20% of the credit (.2% of expansion costs) if one new full-time employee is added.
- 40% of the credit (.4% of expansion costs) if two new full-time employees are added.
- 60% of the credit (.6% of expansion costs) if three new full-time employees are added.
- 80% of the credit (.8% of expansion costs) if four new full-time employees are added.
- 100% of the credit (1% of expansion costs) if five or more new full-time employees are added.

In the *second year*, a small business may be certified to receive a credit based on the improvements made in the first year, provided that the business retained one or more of the new full-time jobs added in the first year. However, the credit in the second year must be adjusted to reflect the cumulative increase or decrease in full-time employees. For example, if a small business adds four full-time jobs as part of a business expansion in the first year, and retains those four jobs and adds a fifth full-time job in the second year, then the business is eligible to receive 80% of the credit in the first year and 100% of the credit in the second year, according to the schedule above. Conversely, if the business adds five new full-time jobs as part of a business expansion in the first year, but retains only four of those jobs in the second year, then the business is eligible to receive 100% of the credit in the first year and 80% of the credit in the second year.

Legislative History

Senate Substitute Amendment 1 was offered by Senator Wanggaard on September 19, 2011. On October 18, 2011, the Senate Committee on Economic Development, Veterans, and Military Affairs voted to recommend adoption of the amendment, and passage of the bill, as amended, on successive votes of Ayes, 7; Noes, 0.

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