



State of Wisconsin

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STEPHEN R. MILLER
CHIEF

March 8, 2013

MEMORANDUM

To: Senator Lassa

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

Subject: Technical Memorandum to **2013 SB-43** (LRB-0964/1) 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.

MEMORANDUM

March 5, 2013

TO: Joseph Kreye
Fern Knepp
Legislative Reference Bureau

FROM: John Koskinen
Brad Caruth
Department of Revenue

SUBJECT: Technical Memorandum on Senate Bill 43: An Income and Franchise Tax Credit for Investments in a Community Development Financial Institution

The Department has the following concerns related to the bill:

It is not clear if the credit is limited to one investment per person. For example, if a claimant invests \$1,000,000, by depositing \$500,000 in two CDFI accounts, could the individual claim two \$60,000 credits? This should be clarified.

In the past, credits have only been extended by the Legislature. This bill would allow WEDC to extend the credit for any number of years without any legislative approval. It is unclear whether this is the intent.

If WEDC is to extend the credit, there should be a date by which WEDC is required to notify DOR for administrative purposes. For example, if WEDC extends the credit for taxable years beginning in 2015, WEDC should be required to notify the department by March 1, 2015.

A person who withdraws the investment in the CDFI before 5 years is required to pay back all or a portion of the credit. Once the credit is claimed, the department would have no way of knowing if there was an early withdrawal. WEDC should be required to notify the department of all early withdrawals that were not reinvested in another CDFI and of all registrations of a CDFI that are revoked.

The statutory language provides that the credit is effective for taxable years beginning after December 31, 2012. This would be a problem only if enacted after July 31, 2013, when the 2013 tax forms are in the final stages.

If you have any questions regarding this technical memorandum, please contact Brad Caruth at (608) 261-8984 or bradley.caruth@revenue.wi.gov.