



SHAE SORTWELL

STATE REPRESENTATIVE • 2nd ASSEMBLY DISTRICT

Hearing Testimony
Assembly Committee on Jobs, Economy, and Small Business Development
May 24, 2023
Assembly Bill 172

Chairman Gundrum and members of the Assembly Committee on Jobs, Economy, and Small Business Development – Thank you for giving me the opportunity to speak on AB 172, relating to a sole proprietorship employee tax credit and granting rule-making authority.

A sole proprietorship is the most popular form of business entity in the United States, with over 23 million currently operating. This is due to the ease and simplicity of starting one. Sole proprietorships play a vital role in the economy, notably in driving innovation.

Unfortunately, sole proprietorships do not receive the same forms of tax incentives that larger businesses obtain from the government to spur growth and expansion. This could increase the chances of one failing or closing. Sole proprietorships fail at a higher rate than other forms of small businesses.

My constituent, from whom you have received written testimony, requested legislation that would create a tax credit for sole proprietorships. And so, to aid the growth of Wisconsin's smallest businesses, this legislation offers sole proprietorships a nonrefundable tax credit program when they hire their first full-time position.

Administered by the Wisconsin Economic Development Corporation (WEDC), the tax credit could apply for up to three consecutive years and would offset income taxes as follows:

1. Tax year 1: \$10,000 or 100% of the wages, whichever is less.
2. Tax Year 2: \$5,000 or 50% of the wages, whichever is less.
3. Tax Year 3: \$2,500 or 25% of the wages, whichever is less.

If the total amount of claims exceeds \$20,000,000 in that taxable year, WEDC must prorate the amount each sole proprietorship may claim.

Additionally, Senator Tomczyk and I have introduced a substitute amendment that incorporates technical updates at the request of the Department of Revenue. The amendment expands the scope of the bill to also include single-member limited liability companies (LLCs) and single-owner corporations.

I appreciate the opportunity to testify on this legislation and would gladly answer any questions the committee may have.



CORY TOMCZYK

STATE SENATOR • 29TH SENATE DISTRICT

Assembly Committee on Jobs, Economy, and Small Business Development
Wednesday, May 24, 2023

Testimony – AB 172

Almost 34 years ago, my wife and I started a small business, a business we continue to run to this day along with about two dozen hard-working employees. Starting any business from the ground up takes a lot of hard work, many sleepless nights, and countless sacrifices in order to just stay afloat in those first few years. Most businesses, like my own, begin literally with one guy and a pickup truck. At some point, it gets to be too much for one or two people as business picks up. Hiring that first employee is not only a big logistical jump but also very expensive.

AB 172 aims to make that milestone of a business hiring its first employee a little easier and maybe a little sooner than that business had planned on. AB 172 gives an eligible applicant/business - an owner of a sole proprietorship, single-member LLC, or single-owner corporation - a nonrefundable tax credit for hiring that first employee. Administered by the Wisconsin Economic Development Corporation (WEDC), the tax credit could apply for up to three consecutive years and would offset income taxes.

The substitute amendment also makes sure that the tax credit is for the position itself instead of the employee. This is so that if the employee quits or gets fired after a short amount of time, the employer can hire another person in the same position and still apply for a large portion of the tax credit.

Small businesses trying to get things off the ground face a lot of challenges. It is my hope that with a tax credit such as this one, it will be one more tool to help them succeed and contribute to the tax base here in Wisconsin.



RE: Assembly Bill 172

May 23, 2023

To Whom It May Concern:

My name is David Vander Bloomen, and I am the Board of Directors Vice-Chair for the De Pere Area Chamber of Commerce, as well as the Chamber's Government Liaison. I am writing on behalf of the Chamber in support of Assembly Bill 172.

Very often we hear from our Members of the concern and hesitation to hire employees, for a variety of reasons—cost being one of them. This is especially the case for a small business owner as they attempt to expand. Common statements when someone is in that position is *I need to hire help, but I'm not sure I can absorb the extra expense*. Assembly Bill 172 will very much lend a positive level of support to allow our amazing small businesses to expand.

Some business owners sometimes know of the support and assistance options available via Chambers and other entities here locally, but this bill would create another much needed level of support. One of my fellow Board members said it perfectly when he stated, "I like how this proposed bill makes a more significant impact on micro/small business success."

The De Pere Area Chamber of Commerce is proud to support this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "David Vander Bloomen".

David Vander Bloomen
De Pere Area Chamber of Commerce
Board of Directors Vice-Chair, Government Liaison
(920) 562-2130 – david@baerpm.com

I am writing this letter to express my support for the bill that Shae Sortwell is presenting to you today.

As a small business owner with 41 years of experience, I have witnessed firsthand how larger companies often receive significant tax breaks throughout the United States, including here in Wisconsin.

Throughout my career, I have been an advocate for small businesses, providing mentorship through Score/Small Business Administration and establishing a nonprofit organization with 14 chapters in the state, connecting businesses together. Additionally, I am a member of two chambers, further contributing to the business community.

During my business journey, there have been instances where I wanted to hire employees, but the workload involved in the hiring process deterred me from doing so. I believe that this bill would greatly benefit small businesses like mine that are looking to hire their first employee.

Expanding a business can be a daunting task, and figuring out the intricacies of the hiring process can be challenging. However, if business owners receive assistance in hiring their initial employee, it would significantly ease the process of subsequently hiring additional staff members.

In the past, I conducted research to find any state programs or initiatives that aid businesses with the hiring process, but I was unable to find any such assistance available. This bill presents a unique opportunity for Wisconsin to become a pioneer in supporting small businesses by providing the necessary help during the crucial phase of hiring their first employee.

By offering this assistance, Wisconsin could potentially attract small businesses from other states, leading to an expansion of our business community and overall economic growth.

I urge you to consider the positive impact this bill could have on small businesses throughout the state. By facilitating the hiring process, we can foster an environment where small businesses can thrive and contribute to the local economy.

Your support for this bill would not only benefit individual entrepreneurs like myself but also strengthen the business landscape of Wisconsin as a whole.

Thank you for your attention and consideration. I remain hopeful that you will take this opportunity to support small businesses and help create a more favorable environment for economic growth.

Sincerely,
Robert Jahnke
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