

November 19, 2008

Representative Pat Strachota  
Room 13 West, State Capitol  
P.O. Box 8953  
Madison, WI 53708

Dear Representative Strachota:

Thank you for your letter on behalf of the Legislative Council's Special Committee on Building Wisconsin's Workforce requesting information on Commerce's budget request as it relates to workforce development. I am pleased to provide you with information concerning Commerce's tax credit consolidation initiative, which is based on 2007 AB 794 and 2007 SB 480. These bills consolidated five existing tax credit programs, including: the community development zone program; the enterprise development zone program; the agricultural development zone program; the technology development zone program; and the airport development zone program. Unlike the current tax credit programs that it replaces, the tax credit consolidation initiative will enable certified businesses to claim tax credits for workforce training expenses. Below I have provided some details of the initiative.

#### **How Businesses Will Use the New Credit**

The new credit is designed to reduce administrative requirements and eliminate unnecessary and burdensome limitations on the distribution of performance-based tax credit incentives to growing Wisconsin businesses. In all cases, the recipient company must maintain all baseline jobs and new jobs created by the project for a period of time which complies both with requirements that Commerce will establish by rule, and also with provisions as detailed in a contract between the firm and Commerce. Credits may be used after the investment has been made and supporting documentation has been submitted to and verified by Commerce. Under this new program, Commerce will allocate tax credits based on the following eligible activities:

- ◆ Training for new and incumbent workers that improves the productivity or competitiveness of the business. Routine training costs will not be eligible. Eligible training expenses include trainee wages, training materials, and trainer costs.
- ◆ Creation of full-time jobs. Projects that create full-time jobs with wages and health insurance benefits, as established by Commerce by rule, will be eligible for tax credits.
- ◆ Capital investment by the business in new equipment, machinery, real property, or depreciable personal property. The size of the required capital investment will be based on the number of full-time employees at the company.
- ◆ The location or retention of corporate headquarters in Wisconsin. Companies with corporate headquarters that are considering ceasing or decreasing operations in Wisconsin will be eligible for tax credits based on job retention.

With respect to the amount of tax credits available under this new program, Commerce may allocate tax credits up to the total amount of tax credits remaining under the five existing

development zone programs upon the effective date of the bill. The value of the tax benefits for a firm eligible under this program will depend on the number of jobs created, the amount of capital investment made, the amount of training or retraining provided to the employees and the number of jobs retained by firm having its corporate headquarters located in the state.

### **Targeted Workers and Economically Distressed Areas**

Commerce is also proposing to make additional credits available to businesses that hire targeted workers and to businesses which create jobs, make capital investments, or conduct incumbent worker training in economically distressed areas. In determining that an area is distressed, Commerce must take into account the following indicators:

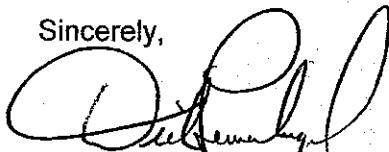
- ◆ Unemployment rate.
- ◆ Percentage of families with incomes below the poverty line as established under 42 USC 9902 (2).
- ◆ Median family income.
- ◆ Median per capita income.
- ◆ Average annual wage.
- ◆ Real property values.
- ◆ Other significant or irregular indicators of economic distress, such as a natural disaster.

### **Allocation for Small and Rural Businesses**

In addition, this initiative requires the Department, by rule, to allocate a portion of the tax credits to rural areas and to small businesses. These provisions will ensure both geographic distribution of, and small business access to, the tax credits.

Thank you for your interest in Commerce's initiatives. If you have any further questions on this matter, please do not hesitate to call me.

Sincerely,



Richard J. Leinenkugel  
Secretary