



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #319

### **Jobs Tax Credit Modifications (General Fund Taxes -- Income and Franchise Taxes)**

[LFB 2011-13 Budget Summary: Page 192, #15]

#### **CURRENT LAW**

The jobs tax credit was enacted in 2009 Act 28, and equals up to 10% of the wages paid to an eligible employee and/or the amount of costs incurred to undertake training activities in a tax year. Specifically, a person that is certified by the Department of Commerce can claim the jobs tax credit if, in each year for which the tax credit is claimed, the person increases net employment in the person's business and one of the following applies:

- a. In a tier I county or municipality, an eligible employee, for whom the tax credit is claimed, will earn at least \$20,000 but not more than \$100,000 in wages, in the year for which the credit was claimed.
- b. In a tier II county or municipality, an eligible employee, for whom the tax credit is claimed, will earn at least \$30,000 but not more than \$100,000 in wages, in the year for which the credit was claimed.
- c. In a tier I or tier II county or municipality, the person improves the job-related skills of any eligible employee, trains any eligible employee on the use of job-related new technologies, or provides job-related training to any eligible employee whose employment represents the employee's first full-time job.

The jobs tax credit is refundable. If the amount of credit exceeds a claimant's tax liability, the state will issue a check to the claimant for the unused tax credit amount. The refunds are paid from an annual GPR appropriation

The maximum amount of tax credits that Commerce can allocate in a calendar year is \$5 million. In addition, the total amount of credits that can be claimed for tax years beginning on or after January 1, 2010, and ending on June 30, 2013, is limited to \$14.5 million. Tax credits

certified by Commerce for tax years beginning after December 31, 2009 and before January 1, 2012, must be paid in tax years beginning after December 31, 2011. Commerce is also authorized to reallocate angel investment and early stage seed investment tax credits that are unused in any calendar year to persons eligible for the jobs tax credit, subject to 14-day passive review by the Joint Committee on Finance. These reallocated amounts are not subject to the \$5 million limit on annual jobs tax credit claims. Under the bill, \$9,000,000 GPR is provided in 2012-13 for the refundable jobs tax credit.

## **GOVERNOR**

Make the following modifications to provisions of the refundable jobs tax credit, under the state individual income and corporate income and franchise taxes: (a) delete the requirements that the credit be based on eligible employee wages between \$20,000 and \$100,000 in a tier I county or municipality, and wages between \$30,000 and \$100,000 in a tier II county or municipality; (b) provide that, for a claimant that increases net employment, the jobs credit would equal the lesser of 10% of wages paid to an eligible employee or \$10,000; and (c) convert the appropriation from which jobs tax credit refunds are paid from an annual GPR appropriation to a continuing GPR appropriation.

## **MODIFICATION**

Restore the requirements that the jobs tax credit be based on wages of at least \$20,000 in a tier I county and \$30,000 in a tier II county.

**Explanation:** Deleting the minimum wage requirements and the county tier levels was an error. The administration indicates that the intent was not to eliminate the requirements that jobs tax credits be based on wages of at least \$20,000, or at least \$30,000 in Tier I and Tier II counties, respectively. Instead the intent was to remove the \$100,000 maximum limit on total annual wages that qualified for the credit, so that businesses could claim credits for new employees with annual wages in excess of \$100,000. However, for those employees the credit would be based on only the first \$100,000 of their annual income. This modification would accomplish that intent.

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