



Legislative Fiscal Bureau

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2017

Joint Committee on Finance

Paper #295

Reestimate Refundable Business Tax Credit Expenditures (General Fund Taxes -- Income and Franchise Taxes)

[LFB 2017-19 Budget Summary: Page 182, #16, Page 183, #18]

CURRENT LAW

The Wisconsin Economic Development Corporation (WEDC) certifies persons as eligible to receive the refundable enterprise zone tax credit and previously certified persons as eligible to receive the jobs tax credit, which sunset after 2015. However, if WEDC allocated tax benefits in a contract to claimants prior to December 31, 2015, or if WEDC had entered into a letter of intent to enter into a contract before that date, claimants can claim the jobs credit for as long as the contract specifies. WEDC has entered into jobs credit contracts with businesses through 2023. Both credits are paid from sum sufficient GPR appropriations and counted as state expenditures.

The enterprise zone credit can be claimed by certified businesses for jobs created and retained, training costs, capital expenditures, and purchases from Wisconsin vendors. The jobs credit is equal to 10% of the wages paid to an eligible employee and/or the amount of costs incurred to undertake training activities by certified businesses. Estimated expenditures in 2016-17 are \$31.9 million for the enterprise zone credit and \$16.0 million for the jobs credit.

GOVERNOR

Estimate expenditures from the enterprise zone tax credit appropriation at \$37.6 million in 2017-18 and \$36.9 million in 2018-19. Estimate expenditures from the jobs tax credit appropriation at \$15.3 million in 2017-18 and \$7.65 million in 2018-19.

MODIFICATION

Estimate expenditures from the enterprise zone tax credit appropriation at \$31.9 million in

2016-17, \$37.6 million in 2017-18, and \$43.0 million in 2018-19. Estimate expenditures from the jobs tax credit appropriation at \$8.0 million in 2016-17, \$20.0 million in 2017-18, and \$13.0 million in 2018-19. In total, estimated expenditures would be reduced by \$8.0 million in 2016-17 and increased by \$4.7 million in 2017-18 and \$11.45 million in 2018-19.

Explanation: Since the Governor's budget was introduced, WEDC has certified two businesses as eligible to receive enterprise zone credits, for which WEDC has allocated approximately \$6.6 million of credits that can be earned by those businesses in 2017. Based on these two new allocations, it is estimated that enterprise zone tax credit expenditures will increase by \$6.1 million in 2018-19, but no change in estimated expenditures has been made for 2016-17 or 2017-18. In addition, WEDC states that its tax credit verification project has delayed jobs tax credit verifications that were anticipated to be verified and claimed in 2016-17 to future years. Over the three-year period, estimated jobs tax credit expenditures have been increased by \$2.05 million based on the expectation that WEDC will verify jobs credit allocations that have been delayed and the current allocation schedule for the credits under WEDC's existing contracts.

	2017-18 Opening Balance	Change to Bill 2017-19	Net Change 2016-17, 2017-19
GPR	- \$8,000,000*	\$16,150,000	\$8,150,000
*A reduction of \$8.0 million GPR, which increases the 2017-18 opening balance by \$8.0 million.			

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