Business Tax Credits

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The state offers a number of business tax credits that can be claimed under the corporate income/franchise tax and the individual income tax. All of the business tax credits may be claimed against the alternative minimum tax under the individual income tax, except for the community rehabilitation program credit. One credit, the angel investment credit, is only available under the individual income tax (and the alternative minimum tax). The following four credits can also be claimed under the premiums tax and gross investment income tax paid by insurance companies: (1) early stage seed; (2) economic development; (3) insurance security fund assessment credit; and (4) development zones. The manufacturing and agriculture credit is not available to insurance companies that pay the franchise tax.

A tax credit is an amount that is subtracted from the gross income tax liability of the taxpayer in a given year. In general, a tax credit differs from a deduction in that the credit is subtracted from the tax itself, resulting in a dollar-for-dollar reduction in the gross tax liability. In contrast, a deduction is subtracted from income, resulting in a reduction in the amount of income subject to tax. Some tax credits are refundable. When a refundable tax credit exceeds gross tax liability, the taxpayer receives a payment for the difference between the credit amount and the tax liability. For the nonrefundable credits, unused amounts generally can be carried forward and claimed in future years. In some cases, unused credits can be sold or otherwise transferred to other taxpayers.

Partnerships, limited liability companies (LLCs), and tax-option corporations (S corporations) generally cannot claim the tax credits provided under the state corporate income/franchise tax, but eligibility for, and the amount of, the credit is based on the entity's payment of eligible expenses. A partnership, LLC, or tax-option corporation is required to compute the amount of the credit that each of its partners, members, or shareholders can claim and provide that information to them. Partners, members of LLCs, and shareholders of tax-option corporations can claim the credit in proportion to their ownership interest.

Many of the business tax credits are intended to encourage firms to locate, expand, and hire employees in Wisconsin, and require certification by the Wisconsin Economic Development Corporation (WEDC). In addition, for many of the credits, the amount that can be claimed in a year, or in the aggregate, is capped.

Pursuant to 2013 Wisconsin Acts 20, 116, and 145, fifteen credits were sunset following tax year 2013 and three credits were sunset following tax year 2014 (the woody biomass harvesting and processing investment credit, the health insurance risk-sharing plan assessment credit, and the relocated business credit). The credits that were eliminated under these laws were:

Nonrefundable Credits
Biodiesel fuel production
Community development finance
Dairy and livestock farm investment
Electronic medical records
Ethanol and biodiesel fuel pump installation
Health insurance risk-sharing plan
Internet equipment
Post-secondary education
Relocated business
Research and facilities
Super research and development
Water consumption

Refundable Credits
Beginning farmer and farm asset owner
Dairy manufacturing facility investment
Film production services and investment
Food processing facility and food warehouse investment
Meat processing facility investment
Woody biomass harvesting and processing investment

The nonrefundable and refundable tax business tax credits available in tax year 2015 are described through the remainder of this paper. Attachment I provides a list of credits that were claimed and used as offsets against the individual income tax, the corporate income/franchise tax, and the insurance premiums tax in tax year 2011. Attachment I shows the number of claimants, the amount of credits used, and the average amount of each credit per claimant in tax year 2011 (the most recent year for which data is available).

Unlike nonrefundable credits, refundable credits paid during the state fiscal year are recorded as expenditures in the state's annual fiscal report. Attachment II provides expenditure data for each refundable credit in 2013-14 as reported in the annual fiscal report.

Attachments I and II provide expenditure information for credits that are described in this paper and available in tax year 2015, as well as credits that are no longer available. Nonrefundable credits which are sunset may have unused credits that are carried forward from prior years that can be used to offset future tax liability. Totals are not included for the number of taxpayers claiming credits because multiple credits may be claimed by an individual taxpayer.

Nonrefundable Tax Credits

Manufacturing and Agriculture Tax Credit. The manufacturing and agriculture tax credit, which is being phased in between tax years 2013 and 2016, equals the following percentages of the claimant's eligible qualified production activities income:

1. 1.875% for tax years beginning after December 31, 2012, and before January 1, 2014;

2. 3.75% for tax years beginning after December 31, 2013, and before January 1, 2015;

3. 5.526% for tax years beginning after December 31, 2014, and before January 1, 2016; and

4. 7.5% for tax years beginning after December 31, 2015.

To determine "eligible qualified production activities income" to which the credit rate applies, "qualified production activities income" is first calculated. "Qualified production activities income" is defined as the amount of the claimant's production gross receipts for the tax year that exceeds the sum of: (1) the cost of goods sold that are allocable to such receipts; (2) the direct costs allocable to such receipts; and (3) indirect costs multiplied by the production gross receipts factor.

"Production gross receipts" are gross receipts from the lease, rental, license, sale, exchange, or other disposition of "qualified production property." "Qualified production property" means either of the following: (1) tangible personal property manufactured in whole, or in part, by the claimant on property that is assessed as manufacturing property, under state property tax law; or (2) tangible personal property produced, grown, or extracted in whole, or in part, by the claimant on, or from, property that is assessed as Wisconsin agricultural property.

"Qualified production activities income" does not include: (1) income from film production; (2) income from producing, transmitting, or distributing electricity, natural gas, or potable water; (3) income from constructing real property; (4) income from engineering or architectural services performed with respect to constructing real property; (5) income from the sale of food and beverages prepared by the claimant at a retail establishment; or (6) income from the lease, rental, license, sale, exchange, or other disposition of land.

"Qualified production activities income" is modified to determine eligible qualified production activities income. Specifically, the claimant is required to multiply the qualified production activities income from property manufactured by the claimant by the manufacturing property factor, and the qualified production activities income from property produced, grown, or extracted by the claimant by the agriculture property factor. For corporations, the amount of eligible qualified production activities income that can be claimed in computing the credit is the lesser of: (1) the eligible qualified production activities income determined under these provisions; (2) income apportioned to Wisconsin under state income/franchise tax allocation and separate accounting, and/or apportionment provisions; or (3) income determined as taxable under state combined reporting provisions.

No shareholder, partner, or member may claim the credit against income in excess of the amount of tax imposed on the person's prorated share of the partnership, LLC, or S corporation.

The "manufacturing property factor" is a fraction with the numerator the average value of the claimant's real and personal property assessed as manufacturing property owned or rented, and used in Wisconsin by the claimant during the tax year to manufacture qualified production property, and the denominator the average value of all the claimant's real and personal property owned or rented during the tax year, and used by the claimant to manufacture qualified production property. The "agriculture property factor" is calculated in a similar manner based on the claimant's agricultural property.

Unused tax credit amounts can be carried forward up to 15 years to offset future tax liabilities.

Current law generally requires state tax credits to be added to income in the tax year for which they are claimed. However, the manufacturing and agriculture credit is based on the eligible qualified production activities income of the claimant for that year. To address this issue, the claimant is required to include the current tax year's manufacturing and agricultural credit in income in the following tax year.

The Department of Revenue (DOR) administers the tax credit, and is authorized to take any action, conduct any proceeding, and proceed as authorized under state income/franchise tax laws. State tax provisions related to timely claims, assessments, refunds, appeals, collection, interest, and penalties apply to the credit.

The actual amount of credits claimed and used in tax year 2013 (the first year in which the credit is available) will not be known until 2016. The credit is estimated to reduce state tax revenues by $79.9 million in 2013-14, $151.5 million in 2014-15, $224.6 million in 2015-16, and $284.5 million in 2016-17 once the credit has been fully phased in.

Research Tax Credit. The state research credit is equal to 5% of the increase in a business's qualified research expenditures in Wisconsin over the base amount. The "base amount" is calculated by multiplying the taxpayer's average annual gross receipts for the preceding four years by a fixed-base percentage. However, the base amount does not include sales treated as throwback sales in the corporate apportionment formula. The "fixed-base" percentage is the percentage that the taxpayer's total aggregate qualified research expenditures for a specified period is of the taxpayer's total aggregate gross receipts for those years. The fixed-base percentage cannot exceed 16%. In addition, the base amount cannot be less than 50% of research expenses in the year for which the credit is claimed. Consequently, the state research credit is 5% of the lesser of: (1) the excess of current year research expenses over the base amount; or (2) 50% of current year research expenses.

A 10% tax credit can also be claimed for qualified research expenses (less the base amount) for the following activities:

1. Designing internal combustion engines for vehicles, including expenses related to designing vehicles that are powered by such engines, and improving production processes for such engines and vehicles.

2. Designing and manufacturing energy efficient lighting systems, building automation and control systems, or automotive batteries for use in hybrid-electric vehicles that reduce the demand for natural gas or electricity, or improve the efficiency of its use.

"Internal combustion engine" includes substitute products such as fuel cell, electric, and hybrid drives.

Start-up companies must use a minimum fixed-base percentage of 3%. As a result, they must spend 3% of their gross receipts on research in order to qualify for the credit. For years six to ten, the percentages are an increasing portion of the percentage which qualified research expenses bear to gross receipts for certain prior years.

The credit applies only to research expenditures paid or incurred in connection with the trade or business of the taxpayer that are research and development costs in an experimental or laboratory sense. In general, qualifying expenses are non-capital, and thus, do not include spending for buildings and equipment. Qualified research expenses are the sum of: (1) in-house expenditures for research, wages, and supplies used in research, plus certain amounts paid for research use of laboratories, equipment, computers, or other personal property; and (2) 65% of the amount paid by the taxpayer for qualified research conducted on behalf of the taxpayer. Examples of eligible costs include: (a) the costs incident to the development of an experimental or pilot model, a plant process, a product, a formula, an invention, or similar property; and (b) the cost of improving this type of property. Qualified research is research which is undertaken for the purpose of discovering information which is technological in nature and the application of which is intended to be useful in the development of a new or improved business component of the taxpayer. In addition, substantially all of the activities of the research must be elements of a process of experimentation relating to a new or improved function, performance, reliability, or quality.

Claimants may elect to determine the research credit under the federal alternative research credit rules. Under these rules, the research credit is the difference between certain percentages of average gross receipts and actual research expenses.

In all cases, only the expenses for eligible research activities conducted in Wisconsin qualify for the credit. If the credit amount exceeds the claimant's tax liability, it is not refundable, but unused amounts can be carried forward 15 years to offset future tax liabilities. Members of combined groups can share unused research tax credits and credit carryforwards to offset other members' tax liabilities.

Early Stage Business Investment Tax Credits. The early stage business investment program includes the angel investment tax credit, which can be claimed under the state individual income tax and the alternative minimum tax, and the early stage seed investment tax credit, which can be claimed under the state individual income, the alternative minimum tax, the corporate income/franchise tax, and the insurance premiums tax.

Angel Investment Tax Credit. The angel investment tax credit equals 25% of the claimant's bona fide angel investment made directly in a qualified new business venture (QNBV) certified by the Wisconsin Economic Development Corporation. The maximum aggregate amount of angel investment tax credits that can be claimed for a tax year is $20 million, plus an additional $250,000 for tax credits claimed for investments in nanotechnology businesses.

Early Stage Seed Investment Tax Credit. The early stage seed investment tax credit is equal to 25% of the claimant's investment paid in the tax year to a certified fund manager that the fund manager invests in a QNBV certified by WEDC. The maximum aggregate amount of early stage seed investment tax credits that can be claimed for a tax year is $20.5 million, plus an additional $250,000 for tax credits claimed for investments in nanotechnology businesses.

The aggregate amount of investment in any one QNBV that may qualify for angel investment or early stage seed investment tax credits is $8.0 million. Investments in a QNBV must be maintained in the business by an angel investor, angel investment network, or certified fund manager for at least three years.

WEDC is required to certify QNBVs and fund managers and to perform other administrative functions related to the allocation and transfer of credits, revocation of certifications, verification of investments and credits, and processing and compiling reports. Businesses and fund managers must apply to WEDC to be certified.

Qualified New Business Venture. A business may be certified as a QNBV by WEDC only if it meets all of the following conditions:

1. It has its headquarters in Wisconsin.

2. At least 51% of its employees are employed in the state.

3. It has the potential for increasing jobs and/or capital investment in Wisconsin and the business is engaged in, or has committed to engage in, innovation in any of the following: (a) manufacturing, biotechnology, nanotechnology, communications, agriculture, or clean energy creation or storage technology; (b) processing or assembling products, including medical devices, pharmaceuticals, computer software, computer hardware, semiconductors, any other innovative technology products, or other products that are produced using manufacturing methods that are enabled by applying proprietary technology; or (c) services that are enabled by applying proprietary technology.

4. It is undertaking pre-commercialization activity related to proprietary technology that includes conducting research, developing a new product or business process, or developing a service that is principally reliant on applying proprietary technology.

5. The business is not primarily engaged in real estate development; insurance; banking; lending; lobbying; political consulting; professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants; wholesale or retail trade; leisure; hospitality; transportation; or construction (except construction of power plants that derive energy from a renewable resource).

6. It has fewer than 100 employees, at the time of initial certification.

7. The business has not been operating in Wisconsin for more than 10 consecutive years, at the time of initial certification.

8. It has not received aggregate private equity investments of more than $10.0 million, at the time of initial certification.

9. It has not received more than $8.0 million in investments that have qualified for tax

credits under the program.

In addition, in determining whether to certify a business, WEDC will consider at least the following factors: (1) the business is in one of Wisconsin's targeted industries; (2) high growth potential of the business; (3) management team experience; (4) financial need; (5) percentage of funds that will be spent in Wisconsin; (6) barriers to entry; and (7) innovative or novel product or process.

Certified Fund Manager. In order to be eligible for investments that qualify for early stage seed investment tax credits, the fund manager must be certified by WEDC. In determining whether to certify an investment fund manager, WEDC is required to consider: (1) the applicant's experience in managing venture capital funds; (2) the past performance of funds managed by the applicant; (3) the expected level of investment in the fund to be managed by the applicant; and (4) other relevant factors determined by WEDC. In addition, WEDC evaluates the following factors when determining whether to certify a fund manager: (1) the applicant's experience in investing in high growth, early stage businesses; (2) the past performance of businesses assisted by the applicant; (3) the portion of the investment fund's capital the fund manager expects to invest in QNBVs; (4) geographic distribution of the funds; (5) focus on targeted industries or target group members as determined by WEDC; (6) ability to access follow-on funding; (7) services provided; (8) commitment to Wisconsin; and (9) administrative and management fees.

WEDC is required to notify DOR of every certification issued, and the date on which any certification is revoked or expires. WEDC is required to revoke the certification of a business or fund manager, if the business or fund manager: (1) supplies false or misleading information to obtain the certification; (2) fails to continue to meet the required conditions or qualifications for obtaining the certification; (3) has violated state, federal, or local laws or regulations related to the conduct of the activities of the business or fund; (4) has had an officer or director arrested or convicted of a crime substantially related to the activities of the fund; or (5) is not using investment funds for a legitimate business purpose. WEDC must notify DOR of any revocation.

Angel investors, angel investor networks, and venture capital funds must follow a verification process in order to receive tax credits based on eligible investments. For each investment in the qualified new business venture, the angel investor, angel investment network, or certified fund manager is required to provide WEDC with a copy of its investor agreement and proof of investment. The investment must be a clearly identifiable cash investment in the form of common stock, preferred stock, a partnership, membership, or equivalent ownership interest. The qualified new business venture must provide an attestation to the investment. Cash exchanged for debt is not eligible for credits, unless the debt is later converted into an ownership interest, and only the original cash investment is eligible for credits. Tax deferred or tax advantaged accounts are not eligible investment vehicles for tax credits (such as individual retirement accounts or 401(k) accounts). Investments made by certified fund managers, with principal offices based outside Wisconsin, must be made side-by-side with equity investors based in Wisconsin with a minimum participation of Wisconsin investors determined by WEDC.

Based on a review of submitted materials, WEDC issues a verification form to the angel investor, angel investment network, or certified fund manager stating the amount of credits that may be claimed. Investors must submit a copy of the certification for tax benefits and the verification form, including the amount of tax benefits that may be claimed and the date and amount of the investment, with the investor's tax return.

WEDC can revoke verification of tax credits if the investment in the QNBV is not maintained for a minimum of three years. However, the three-year requirement does not apply in cases where: (1) the investment becomes worthless prior to the end of the three-year period; or (2) the angel, angel investment network, or certified fund manager has held an investment for at least 12 months and there is a bona fide liquidity event, as determined by WEDC, prior to the end of the holding period.

If the demand for angel or early stage seed investment tax credits exceeds the annual aggregate limit, WEDC may reserve tax credits from the following year for qualifying investments. Conversely, the Corporation, in consultation with DOR, is authorized to carry forward unclaimed angel and early stage investment tax credits to future tax years. Carryforward recommendations must be submitted to DOR by July 1.

WEDC can reallocate unused angel and early stage seed investment tax credit amounts to increase the credit amounts that may be claimed under the refundable jobs tax credit. The proposed reallocation is subject to a 14-day passive review by the Joint Committee on Finance (JFC).

A person that makes an investment in a certified fund and who is eligible to claim an early stage seed investment tax credit may sell or otherwise transfer the credit to another person to offset that person's income, franchise, or insurance premiums tax liability. A certified fund manager is required to notify both WEDC and DOR of the transfer and submit a copy of transfer documents that show the transfer of credits from the seller to the buyer. The fund manager must pay WEDC a fee of 1% of the amount of tax credit that is sold or transferred.

"Accredited investor" means an individual who invests his or her own funds in a qualified new business venture and satisfies the U.S. Securities and Exchange Commission accredited investor definition at the time of investment. "Angel investment network" is defined as an entity comprised of accredited investors organized for the sole purpose of making investments in qualified new business ventures. "Angel investor" means an accredited investor who makes a bona fide angel investment.

"Bona fide angel investment" means a purchase of an equity interest, or any other expenditure, as determined under state law, that is made by any of the following: (1) a person who reviews new businesses or proposed new businesses for potential investment of the person's money; or (2) a network of persons who review new businesses or proposed new businesses for potential investment of the persons' money. "Bona fide liquidity event" means either: (1) the sale of a certified company, or the majority of its assets, which results in a payout to shareholders; or (2) the company's shares begin trading in a public exchange.

"Investment" is defined as the investment of cash in a QNBV that is used for legitimate business purposes in exchange for any one of the following: (1) common stock; (2) partnership or membership interest; (3) preferred stock; or (4) an equivalent ownership interest in the QNBV approved by WEDC. "Legitimate business purposes" means investment proceeds used for normal operations of the business, and not used for activities including refinancing any prior investments, paying dividends to shareholders, stock repurchase, or other uses as determined by WEDC.

Economic Development Tax Credits. WEDC is authorized to award up to $164.2 million in economic development credits to eligible business projects. Through September, 2014, a total of $137.7 million in credits had been contracted or committed, leaving $26.5 million in unallocated credits. Pursuant to 2013 Wisconsin Act 20, WEDC may submit a request, including a report with information about the use of the credits, to the JFC under a 14-day passive review process for an additional $39.0 million in credits. As of publication of this paper, WEDC had not requested the additional credits from JFC. However, if requested of and approved by the Committee, the total amount of credits that WEDC could award would increase to $203.2 million. Economic development tax credits can be claimed for job creation or retention, capital investment, employee training, and corporate headquarters retention or location projects.

Job Creation and Retention Project. Economic development tax credits can be claimed for full-time jobs created and maintained, in addition to retaining existing full-time jobs. A tax credit is provided for each new job created or retained, depending upon the employee's wages, and compliance with any of three requirements related to health insurance: (1) at least 50% of the health insurance benefit premium costs for the employees must be covered by the employer; (2) at least 50% of the full-time employees must utilize the health insurance provided by the employer; or (3) other employee health insurance benefits are provided that are acceptable to WEDC. The per-employee tax credits provided are based on Table 1. Award amounts within a given tier will be made with consideration of: (a) unemployment rates; (b) recent layoffs; (c) regional poverty rates; (d) distressed county; (e) per capita income; and (f) public involvement necessary to move the project forward.

Credits for job creation are based on the projected number of jobs created over three years. The new jobs must be maintained for five years, beginning with the certification date established in a contract between the claimant and WEDC. Credits are released annually, based on the number of new full-time jobs created during the previous year.

Economic development tax credits for job retention are released annually over a five-year period, at a rate of 20% of the total tax credit allocation per year, if the business retains 100% of the number of jobs required to receive the total credit allocation. Businesses that retain between 80% and 99% of required jobs receive a pro-rated portion of the annual allocation. WEDC will not release economic development tax credits for years in which the business retains fewer than 80% of the number of jobs required to receive the total tax credit allocation. Credits not released in years in which the required number of jobs falls below 100% of the amount needed for the total allocation cannot be earned in succeeding years.

A full-time employee generally means an individual who is required to work at least 2,080 hours, including paid leave and holidays, and for which the individual receives pay equal to at least 150% of the federal minimum wage ($22,600 in 2014). The minimum required wage to earn tax credits is considered the employee's hourly wage or salary prior to any commission, bonus, health insurance, or other benefits compensation. WEDC may grant exceptions to the requirement that a full-time employee is required to work 2,080 hours if: (1) the annual pay for the position

Table 1: Per-Job Tax Credits

Tier	Job Wage Range	Tax Credit
1	Full-time jobs paying from 150% to 200% of the federal minimum wage ($7.25/hr).	Up to $3,000 per job created.
2	Full-time jobs paying from 200% to 250% of the federal minimum wage.	Up to $5,000 per job created.
3	Full-time jobs paying 250% or more of the federal minimum wage.	Up to $7,000 per job created.

is more than multiplying 2,080 by 150% of the federal minimum wage; and (2) the individual is offered benefits that are equivalent to benefits offered to an individual who is required to work at least 2,080 hours per year.

Capital Investment Project. Economic development tax credits are provided for projects that involve significant investment in new equipment, machinery, real property, or depreciable personal property. The credit for capital investments is available for capital investments in a project, beyond a certified business's normal capital expenditures, that are needed to achieve a specific purpose acceptable to WEDC, including diversifying product lines, and modernizing and enhancing the efficiency of production processes. In addition, the investment must: (1) be the lesser of $10,000 for each full-time employee working at the certified business project location, or $1 million; or (2) retain existing full-time jobs that may be lost without investment.

Businesses may be allocated economic development tax credits equal to: (1) up to 3% of their eligible capital investment for personal property; and (2) up to 5% of their capital investment for real property. Credits are allocated based on eligible capital investments that are projected over a three-year period, and are released annually, based on the amount of actual investments made in the preceding year. Businesses whose primary activity includes retail, commercial development, recreation, entertainment, or direct health care are not eligible to earn capital investment credits.

Eligible capital investments include the purchase or lease price of depreciable tangible personal property, and the amount that is expended to acquire, construct, rehabilitate, remodel, repair, or lease real property, including directly-related consulting services, other fees and permits, and installation costs. Working capital for items such as employment costs, moving costs, intellectual property, unrelated fees and permits are not eligible capital investments. Eligible lease payments are limited to a three-year period. The equipment, machinery, real property, or depreciable tangible personal property may not be previously owned, and 50% of the use of such property must be for the certified business' operations in Wisconsin.

Certified businesses may qualify for a tax credit for capital investment projects for amounts expended to construct, rehabilitate, remodel or repair real property if the business began the physical work of such activities, or any demolition or destruction in preparation for the physical work after the tax credit eligibility date established by WEDC. Physical work does not include preliminary activities such as planning, designing, securing financing, researching, development specifications, or stabilizing property to prevent deterioration.

Employee Training Project. Economic development credits are provided for projects that involve significant investments in the training or education of employees for the purpose of improving the productivity or competitiveness of the business. Economic development tax credits of up to 50% of eligible training costs, or $5,000 per employee being trained, are allocated for eligible training that is provided to existing and new employees in full-time jobs. WEDC can increase the credit amount at its discretion. Training credits can be claimed over a three-year period, and are released annually, based on actual eligible training costs incurred in the previous year.

Eligible training includes instruction that will: (1) enhance an employee's general knowledge, employability, or flexibility in the workplace; (2) develop skills unique to an individual company's workplace or equipment; or (3) develop skills that will increase the quality of the company's product. Eligible training costs include trainee wages, trainer costs, and trainer materials. Training may be on- or off-site, but must be performed by a provider that is approved or otherwise authorized by WEDC.

Table 2: Corporate Headquarters -- Per-Job Tax Credits

Tier	Job Wage Range	Tax Credit
1	Full-time jobs paying from 150% to 200% of the federal minimum wage.	Up to $4,000 per job.
2	Full-time jobs paying from 200% to 250% of the federal minimum wage.	Up to $6,000 per job.
3	Full-time jobs paying from 250% to 500% of the federal minimum wage.	Up to $8,000 per job.
4	Full-time jobs paying 500% or more of the federal minimum wage	Up to $10,000 per job.

Training that addresses any of the following is ineligible for tax credits: (1) orientation; (2) administration and compensation systems; (3) credit or degree courses; (4) diversity; (5) consulting services (including strategic planning); (6) sales training; (7) personal development (such as general educational testing); (8) human resources practices; (9) non-job-related training; (10) standalone basic or remedial training; (11) state or federally mandated programs; (12) general safety procedures; (13) English as a second language; (14) basic skills; (15) on-the-job training that involves manufacture of a product for sale; or (16) routine training not related to a specific project.

Project Related to Persons with Corporate Headquarters in Wisconsin. Economic development tax credits can be allocated for projects that will result in the location or retention of a corporate headquarters in Wisconsin. Tax credits may also be allocated for the retention of employees holding full-time jobs in Wisconsin if the businesses' corporate headquarters is located in Wisconsin. For purposes of the credit, full-time jobs created or retained must meet one of the following criteria: (1) the employer covers at least 50% of the health insurance benefit premium costs for the employees; (2) at least 50% of the full-time employees utilize the health insurance benefits provided by the employer; or (3) other employee health insurance benefits are provided that are acceptable to WEDC. The per-employee tax credit amount allocated by WEDC is determined using Table 2.

Businesses located or relocating in Wisconsin and that meet eligibility requirements can qualify for economic development tax credits for eligible activities that occur after an eligibility date is established by WEDC. For purposes of the credit, a "corporate headquarters" means the office of a business with major operations in two or more states or nations. The headquarters is the location where staff members or employees are physically employed and where the majority of the company's financial, personnel, legal, planning, or other headquarters functions are handled on a divisional, regional, national, or global basis.

Transferability of the Credits. A person may transfer any of the economic development tax credits to another person, subject to certain limitations. The transfer of credits may only be made for non-monetary consideration in connection with an eligible activity for which the credits were originally awarded. The person engaged in an eligible business project must submit an application to WEDC with certain information regarding the person to whom the applicant intends to transfer the tax benefits. WEDC may approve the transfer if the Corporation certifies the applicant and finds that the applicant: (1) is headquartered and employs at least 51% of its employees in Wisconsin; (2) intends to relocate its headquarters to this state and employ at least 51% of its employees in Wisconsin; (3) intends to expand its operations in Wisconsin and that expansion will result in an increase of full-time employees employed by the applicant in this state in a number equal to at least 10% of the applicant's full-time workforce in the state; or (4) intends to expand its operation in Wisconsin and that expansion will result in the applicant making a significant capital investment in Wisconsin property. The Corporation must submit an annual report to the JFC that provides a detailed assessment of the transferability program.

WEDC may only authorize transfers of tax benefits of no more than $15.0 million between April 4, 2014, and April 4, 2017. WEDC may request authorization of an additional $15.0 million in tax benefits, for up to an additional 36 months, if it determines that a continuation of the transferability program will promote significant economic development in Wisconsin. To request the authorization, the CEO of WEDC must notify the JFC, stating the reasons supporting the determination. The request is subject to a 14-day passive review process by the Committee.

General Provisions of the Economic Development Tax Credits. The following types of businesses are ineligible for economic development tax credits: (1) payday loan and title loan companies; (2) telemarketing; (3) pawn shops; (4) media outlets, such as newspapers and radio stations [unless the job creation is significant]; (5) businesses in the tourism industry [unless the job creation is significant]; (6) retail; (7); farms; (8) primary care medical facilities; and (9) financial institutions. Exceptions may be made to the list of ineligible business types if there are extraordinary circumstances, including: (a) a serious threat of a business leaving the state; (b) significant job creation or retention; or (c) significant capital investment. Positions that are created, retained, or trained, and for which economic development tax credits are claimed must be maintained for at least five years after the date of certification. No more than 10% of the total amount of credits allocated for jobs created or retained, or for employees that are trained, can be filled by nonresidents. Unused economic development tax credits can be carried forward up to 15 years to offset future tax liabilities.

In cases where an extraordinary opportunity for job creation or retention exists, the CEO of WEDC may approve allocating tax credits in excess of $3 million. In making such a determination, the CEO should consider: (1) the scale or urgency of the project; (2) the nature or quality of the jobs addressed by the project; (3) the degree of existing or potential distress addressed by the project, such as whether the overall well-being of the community is at stake; or (4) the project's potential for substantially impacting a community or the state.

Additional tax credits can be awarded to a project if the Corporation determines that: (1) the business conducts at least one eligible activity in an area designated by WEDC as economically distressed; or (2) the business conducts at least one eligible activity that benefits, creates, retains, or significantly upgrades full-time jobs or, that trains, or that re-educates, members of a targeted group (generally, public assistance recipients and other economically disadvantaged individuals). Tax credit allocations to businesses in economically distressed areas may be increased by up to 50% above the maximum amount of tax credits that otherwise could be claimed, and businesses may qualify for up to $500 in additional tax credits for each member of a targeted group that is the basis of an economic development tax credit.

In order to claim an economic development tax credit, a business is required to submit an application, along with supporting documentation, to WEDC for certification for and allocation of credits. WEDC evaluates applicants based on the following factors: (1) whether the project might not occur without the allocation of tax credits; (2) the extent to which the project will be financed with other sources of public funds; (3) whether the project will displace workers in the state; (4) the extent to which the project will contribute to economic growth in the state; (5) the extent to which the project will increase geographic diversity of available tax credits throughout the state; (6) whether the project will be located in an economically distressed area; (7) whether the project will be located in a rural area; (8) the financial soundness of the business; (9) the ability of the business to utilize the non-refundable tax credits [allocations limited to 125% of applicant's projected three-year tax liability]; and (11) any previous financial assistance that the business received from the Department of Commerce or WEDC.

After conducting an investigation and determining that the person is conducting or intends to conduct at least one eligible activity, WEDC may certify a person as eligible for tax benefits. WEDC is required to provide a copy of the certification to the person and the Department of Revenue. The business is required to enter into a contract with WEDC prior to certification or verification of tax credits. The contract must include provisions that detail: (1) a description of each eligible activity being conducted or proposed by the business; (2) whether any of the activities will occur in a distressed area; (3) whether any of the activities will benefit members of a targeted group; (4) a compliance schedule that includes a sequence of anticipated actions to be taken, or goals to be achieved by the business before receiving tax benefits; (5) the reporting requirements with which the business must comply; and (6) if feasible, a determination of the tax benefits the business will be authorized to claim, if the contract terms are fulfilled.

Certified businesses are required to submit annual project reports, within 60 days of the project period defined in the contract, that document expenditures, job creation and retention, as well as other contract deliverables. The report must include the status of the certified business's project, which may include: (1) the number of full-time jobs created, retained, or significantly upgraded; (2) the number of employees in full-time jobs who are trained, with documentation of eligible training expenses; (3) the total amount investments, with documentation of eligible investments; and (4) other supporting information relating to the credits to be claimed.

WEDC is required to verify the tax credits that will be claimed, and may request additional information from the certified business to support the tax credit claims. If a business's total credit allocation is not earned by the business during the contract period, unearned credit amounts are added to total unallocated credits, and can be used for other eligible projects.

The Corporation is required to revoke the certification of a taxpayer for: (1) supplying false or misleading information to obtain certification; (2) supplying false or misleading information to obtain tax benefits; (3) leaving the state to conduct substantially the same business outside the state; or (4) ceasing operations in the state and not renewing operation of the business, or a similar business, within 12 months.

WEDC must submit an annual report to the Joint Legislative Audit Committee and to the appropriate standing committees of the Legislature. The report provides updated information for the economic development tax credit program six months following submission of WEDC's comprehensive annual report (which is submitted to the Legislature no later than October 1).

Manufacturing Investment Tax Credit. For tax years beginning before January 1, 2006, a credit against taxes due could be claimed for the amount of sales and use tax paid for fuel and electricity consumed in manufacturing in Wisconsin (manufacturer's sales tax credit). The manufacturer's sales tax credit was replaced with a sales tax exemption and manufacturing investment credit by 2003 Wisconsin Act 99.

Taxpayers having more than $25,000 of unused manufacturers' sales tax credits can claim a manufacturing investment credit for tax years beginning after December 31, 2007. The credit is equal to the taxpayer's unused manufacturer's sales tax credits, and the credit must be amortized over 15 years, starting with tax years beginning after December 31, 2007. The amortized amount may be offset against the taxpayer's income or franchise tax, and unused amounts may be carried forward up to 15 years to offset future tax liabilities.

To qualify for the credit, a business must have been certified by the former Department of Commerce. To be certified, a business must have met certain requirements regarding in-state employment or investment.

Supplement to the Federal Historic Rehabilitation Tax Credit. A credit may be claimed for up to 20% of qualified rehabilitation expenditures for certified historic structures and for qualified rehabilitated buildings for taxable years beginning after December 31, 2013. Prior to tax year 2013, the state credit was 5% for certified historic structures. The credit percentage was increased to 10% for tax year 2013 and to 20% for tax year 2014 and thereafter. The state credit for qualified rehabilitated buildings was first offered in 2014. The state credits act as supplements to federal credits, which result in a total credit of 40% for certified historic structures and 30% for qualified rehabilitated buildings.

"Qualified rehabilitation expenditures" are specified under the federal Internal Revenue Code. A "certified historic structure" is a building that is listed in the National Register of Historic Places or that is determined to be historic and will be listed in the National Register. "Qualified rehabilitated buildings" are generally buildings that were constructed prior to 1936, but do not include certified historic structures or nonresidential property converted into housing if the property had previously been used for housing.

For both credits, qualified rehabilitation expenditures are eligible if the rehabilitated structure is located in this state and the cost of the qualified rehabilitation expenditure is at least $50,000. The Wisconsin adjusted basis of the building must be reduced by the amount of the credit awarded.

For taxable years beginning after December 31, 2013, no person may claim either credit without being certified by WEDC. WEDC may certify a claimant if the Corporation determines that the claimant is conducting an eligible activity. WEDC must notify DOR no later than January 15 of each year of the amount of the credits certified and the name, address, and tax identification number of each claimant certified. WEDC must notify DOR of any revoked certification within two months of the revocation.

The state credit must be claimed at the same time that the federal credit is claimed. In order to claim the credit, a claimant must include with the return a copy of the certification by WEDC. For the credit for certified historic structures, the claimant must provide WEDC with evidence that the rehabilitation was recommended by the state historic preservation officer for approval by the U.S. Secretary of the Interior prior to beginning the physical work of construction, or destruction in preparation of construction, and that the rehabilitation was approved by the state historic preservation officer. The claimant must include evidence that the taxpayer had obtained written certification from the state historic officer regarding the historical significance of the property and the proposed preservation or rehabilitation plan and expenditures.

WEDC must, in conjunction with DOR and the State Historical Society, submit a report to the JFC no later than March 1, 2015, indicating the total number and amount of historic rehabilitation tax credits as of the date of the report. In addition, DOR must, in conjunction with the State Historical Society, submit a separate report to JFC no later than June 30, 2017, describing the economic impact of the tax credits and must make a recommendation to the Committee as to whether the tax credits should continue. The report must specify the number and type of claimants who have claimed the credits, and the commercial purpose for which the rehabilitated properties are used. If DOR, in conjunction with the State Historical Society, determines that the cost of the tax credits to the state is greater than the investments made in order to claim the credits, DOR must recommend that the credits be discontinued for taxable years beginning after December 31, 2017. Within 14 working days following the submittal date of the report, the JFC co-chairpersons may notify DOR and the State Historical Society that the Committee has scheduled a meeting for the purpose of reviewing the recommendation. The recommendation may be implemented only upon approval of JFC.

As noted, WEDC may certify persons to claim the two credits, but is not required to do so. WEDC placed a moratorium on certifying a person for the credit if the application was received after June 23, 2014. The Corporation instituted the moratorium because utilization of the credits had been significantly greater than anticipated and, as a result, the revenue reduction to the state was substantially higher than had been expected. WEDC lifted the moratorium for certifying credits for qualified expenditures on certified historic structures on July 14, 2014. As of this writing, the moratorium on credits for qualified rehabilitated buildings remained in effect.

Community Rehabilitation Program Credit. The community rehabilitation program tax credit equals 5% of the amount the claimant pays in a tax year to a community rehabilitation program to perform work for the claimant's business, pursuant to a contract. The maximum tax credit that can be claimed is $25,000 for each community rehabilitation program that the claimant enters into a contract with, and unused credit amounts can be carried forward up to 15 years to offset future tax liabilities. In order to claim a credit, the claimant is required to submit with the return, a form that verifies that the claimant has entered into a contract with a community rehabilitation program, and that the program has received payment for work provided by the program.

"Community rehabilitation program" is defined as a nonprofit entity, county, municipality, or federal agency that directly provides, or facilitates the provision of, vocational rehabilitation services to individuals who have disabilities to maximize the employment opportunities, including career advancement, of such individuals.

Kenosha, Janesville, and Beloit Development Opportunity Zones. Under provisions of 2009 Wisconsin Act 28, and 2011 Wisconsin Act 37, the Department of Commerce designated an area in the City of Kenosha, and WEDC designated an area in the City of Janesville and an area in the City of Beloit as development opportunity zones that exist for five years. Any business that locates and conducts activity in the zones is eligible to claim the development zone environmental remediation and jobs tax credit, and the development zone capital investment tax credit. The maximum amount of tax credits that can be claimed by businesses in each zone is $5.0 million. In order to claim tax credits, a business that conducts economic activity in one of the zones must submit a project plan to WEDC, and comply with other statutory provisions governing development opportunity zones. WEDC can extend the zones an additional five years, and provide an additional $5.0 million in tax credits, if it supports economic development in the city. To date, WEDC provided an extension to the City of Janesville, which will not expire until February 28, 2020.

Development Zones Credit. The development zones tax credit is based on amounts spent on environmental remediation and the number of full-time jobs created or retained.

Environmental Remediation Component. A credit can be claimed for 50% of the amount expended for specified environmental remediation in a zone. "Environmental remediation" is defined as: (1) removal or containment of environmental pollution; (2) restoration of soil or groundwater that is affected by environmental pollution in a brownfield; or (3) investigation, unless the investigation determines that remediation is required and remediation is not undertaken. The removal, containment, or restoration work, other than planning and investigating, must begin after the site where the work is being done is designated a zone, and after the claimant is certified for tax benefits. A "brownfield" is an industrial or commercial facility the expansion or redevelopment of which is complicated by environmental contamination.

Full-Time Jobs Component. A credit can be claimed for up to the following amounts for job creation or retention: (1) up to $8,000 for each full-time job created in a zone and filled by a member of a targeted group; (2) up to $8,000 for each full-time job retained in an enterprise development zone (excluding jobs for which the former jobs tax credit was claimed) if WEDC determines that the person made a significant capital investment to retain the full-time job; and (3) up to $6,000 for each full-time job created or retained filled by a Wisconsin resident who is not a member of a targeted group. The definition of targeted group members is the same as that used for purposes of economic development tax credits (public assistance recipients and other economically disadvantaged persons). Amounts claimed for W-2 program participants must be reduced by W-2 wage subsidies that the employer receives for those jobs. At least one-third of jobs tax credits claimed must be based on jobs created and filled by targeted group members. In addition, except for businesses that only claim tax credits for environmental remediation, 25% of all tax credits must be based on creating or retaining full-time jobs.

Unused credits can be carried forward up to 15 years to offset future tax liabilities.

Development Zone Capital Investment Credit. The development zone capital investment tax credit equals 3% of the following:

1. The purchase price of depreciable, tangible personal property that is purchased after the claimant was certified as eligible for tax benefits, and has at least 50% of its use in the claimant's business location in the zone. If the property is mobile, the base of operations for at least 50% of its use must be in the zone.

2. The amount expended to acquire, construct, rehabilitate, remodel, or repair real property in the zone. Such expenses are eligible for the credit if the claimant began the physical work of construction, rehabilitation, remodeling or repair, or any demolition or destruction in preparation for the physical work, after the place where the property is located was designated a zone, or if the completed project is placed in service after the claimant is certified for tax benefits. A credit cannot be claimed for expenses for preliminary activities such as planning, designing, securing financing, research, developing specifications, or stabilizing the property to prevent deterioration.

A claimant can also claim a tax credit for amounts expended to acquire real property, if the property was not previously owned by the claimant and the claimant acquired the property after the place where the property was located was designated a zone, or if the completed project was placed in service after the clamant was certified as eligible for tax benefits.

In calculating the capital investment credit for purchases of real property, a claimant is required to reduce the amount expended to acquire the property by a percentage equal to the percentage of the area of the real property that is not used for the purposes for which the claimant is certified as eligible for tax benefits. Similarly, the amount expended for other purposes must be reduced by the amount expended on the part of the property not used for purposes for which the claimant is certified.

Unused credits can be carried forward up to 15 years to offset future tax liabilities. Claimants are required to include with their tax return: (1) WEDC verification that the claimant is eligible for tax credit; and (2) a statement from WEDC verifying the purchase price and eligibility of the investment.

Insurance Security Fund (ISF) Assessment Tax Credit. The ISF is a non-profit legal entity designed to protect Wisconsin policyholders in the event of an insolvency of a member insurance company. Subject to specified limits, the ISF will continue to pay benefits under certain policies on behalf of insolvent insurers.

Periodic assessments may be levied on insurers to fund the ISF. Generally, the aggregate amount of assessments imposed on an individual insurer may not exceed two percent of the insurer's assessable premiums on the types of policies and contracts covered by the insurer.

If the premium rates on an insurer's class of business are fixed and the insurer is unable to recoup assessments paid to the ISF by increasing premiums on the class of business, the insurer may offset 20% of the amount of the Wisconsin portion of the assessments against its state tax liabilities in each of the five calendar years following the year in which the assessment was paid. If an insurer ceases doing business in Wisconsin and the insurer has remaining credits in future years for the paid assessments, the insurer may use all of the remaining credits in the year it ceases doing business in the state; however, the credits are nonrefundable and may not be carried forward to later years.

Refundable Tax Credits

Enterprise Zone Tax Credits. The enterprise zone program provides refundable tax credits that can be claimed for eligible expenses for increased employment, retaining employees, employee training, capital investment, and purchases from Wisconsin vendors. WEDC is responsible for designating enterprise zones, certifying taxpayers, allocating and verifying tax credits, and performing other general administrative functions related to the enterprise zone program.

Enterprise Zone Jobs Tax Credit. The enterprise zones jobs tax credit is provided to businesses that are certified by WEDC. The credit is calculated as follows:

1. Determine the lesser of: (a) the number of full-time employees that are employed in an enterprise zone whose annual wages exceed certain thresholds in the tax year, minus the number of full-time employees that were employed in the enterprise zone in the base year whose annual wages exceeded those thresholds; or (b) the number of full-time employees in the state whose annual wages exceed those thresholds in the tax year, minus the number of full-time employees in the state in the base year whose annual wages exceeded those thresholds.

In a Tier I (economically distressed) county or municipality, the wage threshold is the amount determined by multiplying 2,080 by 150% of the federal minimum wage ($22,620 in 2014). In a Tier II county or municipality, the wage threshold is $30,000. The "base year" is the year prior to the year in which the enterprise zone was created.

2. Determine the claimant's average zone payroll (excluding wage amounts that are over $100,000) by dividing total wages for full-time employees in the zone whose annual wages ex-

ceed the applicable threshold, and who the claimant employed in an enterprise zone for the tax year, by the number of employees whose annual wages exceed those thresholds, and who the claimant employed in the enterprise zone in the tax year.

3. Subtract the applicable wage threshold from the amount determined under "2."

4. Multiply the amount determined under "3" by the number determined under "1."

5. Multiply the amount determined under "4" by a percentage determined by WEDC, not to exceed 7%.

Job Retention Tax Credit. An additional refundable tax credit can be claimed for an amount equal to the percentage, up to 7%, as determined by WEDC, of the claimant's zone payroll (excluding wage amounts that are over $100,000) paid in the tax year to full-time employees who were employed in the enterprise zone in the tax year and whose annual wages were greater than the applicable wage threshold described above, not including the wages paid to employees that are used to claim the enterprise zone jobs credit. The total number of employees has to equal or be greater than the number of employees in the base year. Credit claims are limited to five consecutive years.

Training Component. A supplemental, refundable credit may be claimed that is equal to the amount paid in the tax year to upgrade or improve the job-related skills of any of the claimant's full-time employees, to train any of the claimant's full-time employees on the job-related use of new technologies, or to provide job-related training to any full-time employee whose employment with the claimant represents the employee's first full-time job. The training must be provided to employees who work in the enterprise zone. Eligible training costs include: (1) cost of the trainer; (2) cost of the training materials; (3) wages of the trainee in a classroom setting; and (4) either the cost of the trainer or wages of the trainee in an on-the-job or job shadowing setting. Eligible training costs do not include travel expenses, food, and lodging.

Significant Capital Expenditures. A refundable tax credit is provided equal to an amount determined by WEDC, but not exceeding 10% of the claimant's significant capital expenditures in the enterprise zone. A significant capital expenditure is a capital investment in a WEDC designated enterprise zone beyond a certified business's normal capital expenditures that is needed to achieve a specific purpose agreed upon by WEDC.

Purchases from Wisconsin Suppliers. A refundable credit may be claimed of up to 1% of the amount the claimant paid in the tax year to purchase goods or services from Wisconsin venders, as determined by WEDC. A claimant cannot claim the credit for expenditures also used to claim the enterprise zone significant capital expenditures tax credit.

Positions that are created as a result of enterprise zone tax credits must be maintained at least five years after the WEDC certification date.

As noted, the credits are refundable. Therefore, if the amount of credit exceeds the claimant's income or franchise tax liability, the state issues a check to the claimant for the difference.

Enterprise Zone Designation and Certification. WEDC is authorized to designate up to 20 areas in the state as enterprise zones. The Corporation is required to designate as enterprise zones, at least three areas comprised of political subdivisions with populations of fewer than 5,000, and two areas comprised of political subdivisions with populations between 5,000 and 30,000. A zone designation cannot last more than 12 years. Through September, 2014, 18 zones had been designated, one of which is in a community with a population of less than 5,000 and two of which are each in a community with a population of between 5,000 and 30,000. According to WEDC, if the Corporation designates a zone and subsequently revokes designation of a zone because no activity occurred and no credits were awarded in the zone, the revoked zones do not count against the maximum number that WEDC may authorize.

Of the 18 enterprise zones designated by WEDC, 13 have entered into contracts with the Corporation and have been awarded $303.1 million in tax benefits through September, 2014. The amount of tax credits contracted for each zone is shown on Table 3. In addition to those shown in Table 3, the following five enterprise zones have been designated: (1) Insinkerator; (2) Ashley Furniture; (3) Medline Industries, Inc.; (4) Trane; and (5) Exact Science. However, the Corporation has not yet entered into contracts with these five companies to finalize the amount of credits awarded.

In determining whether to designate an area as an enterprise zone, WEDC is required to consider: (1) specified indicators of the area's economic need, such as data regarding household income, average wages, and job losses; and (2) the effect of designation on other initiatives and programs to promote economic and community development in the area, including job creation and job training, and creating high-paying jobs. WEDC also considers; (1) whether the project might not occur without the allocation of tax credits; (2) the extent to which the project will increase employment in the state; (3) the extent to which the project will increase economic growth in the state; (4) the extent to which the project will increase the geographic diversity of the available tax credits throughout the state; (5) the financial soundness of the business; and (6) any previous financial assistance the business has received from Commerce/WEDC.

Eligible businesses that conduct operations in an enterprise zone and that are certified by WEDC can claim the refundable enterprise zone tax credits. The business must enter into a contract with WEDC, which includes penalties for noncompliance, prior to WEDC certification or verification. The Corporation may certify for tax benefits any of the following:

1. A business that begins operations in an enterprise zone.

2. A business that relocates to an enterprise zone from outside the state, if the business offers compensation and benefits to its employees working in the zone for the same type of work that are at least as favorable as those offered outside the zone.

3. A business that expands its operations in an enterprise zone, and increases its personnel by at least 10%, and enters into an agreement with WEDC to claim tax benefits only for years during which the business maintains the increased level of personnel. The business must offer compensation and benefits for the same type of work to its employees working in the enterprise zone that are at least as favorable as those offered to its employees working in Wisconsin, but outside the

Table 3: Enterprise Zones Awarded and Contracted by WEDC ($ in Millions)

Enterprise Zones	Contracted Amount of Credits
Mercury Marine	$65.0
Kohl's Corporation	62.5
Quad/Graphics	46.0
Oshkosh Corporation	35.0
W Solar Group	28.0
Fincantieri Marine Group	28.0
Bucyrus	20.0
Uline	18.6
Kestrel Aircraft Company	18.0
Plexus Corporation	15.0
Northstar Medical Radioisotopes	14.0
Amazon.com.dedc LLC	10.3
Weather Shield Manufacturing, Inc.	8.0
Total	$303.1

zone.

4. A business that makes a significant capital investment in property located in the enterprise zone and if the following apply: (a) the business enters into an agreement with WEDC to claim tax benefits only for years during which the business maintains the capital investment; and (b) the business offers compensation and benefits for the same type of work to its employees working in the zone that are at least as favorable as those offered to employees working in Wisconsin, but outside the zone.

5. A business that retains jobs in an enterprise zone, but only if the business makes a significant capital investment in property located in the zone, and at least one of the following applies: (a) the business was a manufacturer with a significant supply chain in Wisconsin; or (b) more than 500 full-time employees were employed by the business in the enterprise zone.

6. A business that is located in an enterprise zone that purchases items or services from Wisconsin vendors.

The following types of businesses are ineligible for enterprise zone tax credits: (1) payday loan and loan title companies; (2) telemarketing; (3) pawn shops; (4) media outlets, such as newspapers and radio stations [unless the job creation is significant]; (5) businesses in the tourism industry [unless the job creation is significant]; (6) retail; (7); farms; (8) primary care medical facilities; and (9) financial institutions.

WEDC must notify DOR when it certifies a business to receive tax benefits and when it revokes a certification. The Corporation is required to revoke a firm's certification if the business: (1) supplies false or misleading information to obtain tax benefits; (2) leaves the enterprise zone to conduct substantially the same business outside the zone; or (3) ceases operations in the zone, and does not renew operation of the business or a similar business in the zone within 12 months.

WEDC is required to determine the maximum amount of tax credits that a certified business can claim and notify DOR of the amount. WEDC is also required to verify information submitted to it that is related to the enterprise zone expenses and tax credits.

Prior to filing for tax credits, claimants must file with WEDC an annual project report that includes: (1) the status of the certified business project, which may include the number of jobs created; (2) the number of employees in full-time jobs who are trained (if applicable) and documentation of eligible training costs; (3) the total amount of capital investments, including documentation; and (4) other supporting information relating to tax credits to be claimed by the certified business. Claimants are required to include, with their tax returns, a copy of the certification for tax benefits and verification of expenses from WEDC.

Businesses may not claim enterprise zone tax credits to the extent the basis for the credit is the basis for another tax credit claimed by the business. WEDC may require a business to repay any tax benefits the business claims for a year in which the business failed to maintain employment or capital investment levels required by the certification agreement.

In general, "full-time employee" means an individual who is employed in a regular, nonseasonal job and who is required to work at least 2,080 hours per year, including paid leave and holidays. WEDC may grant exceptions to this requirement if the individual is: (1) employed in a job for which the annual pay is more than the amount determined by multiplying 2,080 by 150% of the federal minimum wage; and (2) offered retirement, health, and other benefits that are equivalent to those benefits offered an individual who is required to work at least 2,080 hours per week.

"State payroll" means the amount of payroll apportioned to this state under the income/franchise tax apportionment rules for multi-state businesses that were in effect prior to the implementation of single sales apportionment in 2008. "Zone payroll" is defined as wages paid to full-time employees for services performed in the enterprise zone. "Zone payroll" does not include the amount of compensation paid to any individual that exceeds $100,000.

"Tier I" and "Tier II" counties and municipalities are designated as such by WEDC. In making the designations, WEDC considers the most current data available for the area using the following indicators: (1) unemployment rate; (2) percentage of families with incomes below the federal poverty line; (3) median family income; (4) median per capita income; (5) average annual wage; (6) manufacturing assessment values, by county; and (7) other significant or irregular indicators of economic distress, such as a natural disaster or mass layoff.

For 2014-15, WEDC has designated 25 counties as Tier I counties (the remaining 47 counties are Tier II counties). Attachment III provides a map showing which counties have been designated as a Tier I county, which requires a business to meet the lower wage threshold for calculating the credit in 2014-15.

Jobs Tax Credit. A refundable tax credit can be claimed for up to 10% of the eligible wages paid to an eligible employee and/or the amount of costs incurred to undertake training activities in a tax year, as determined by WEDC. Specifically, WEDC can award tax benefits equal to the lesser of 10% of the wages paid to an employee or $10,000, if the employee earned wages in the year for which the tax credit is claimed equal to one of the following: (1) an amount determined by multiplying 2,080 by 150% of the federal minimum wage in wages from the person in the year for which the credit is claimed in a Tier I county or municipality; or (2) at least $30,000 in a Tier II county or municipality. The Corporation may make an exception to the wage requirement if: (a) annual pay for the full time position is more than the amount determined by multiplying 2,080 by 150% of the federal minimum wage; and (b) the individual in the position is offered retirement, health, and other benefits equivalent to those offered a full-time employee.

WEDC can also award tax credits in an amount determined by the Corporation for costs incurred to undertake training activities in a Tier I or Tier II county or municipality that: (1) improve the job-related skills of any eligible employee; (2) train any eligible employee on the use of job-related new technologies; or (3) provide job-related training to any eligible employee whose employment represents the employee's first full-time job. Eligible training costs include: (a) cost of the trainer; (b) cost of the training materials; (c) wages of the trainee in a classroom setting; and (d) either the cost of the trainer or wages of the trainee in an on-the-job or job shadowing setting. Eligible training costs do not include travel expenses, food, and lodging.

In order to claim the credit, a claimant must be certified by WEDC. The Corporation may certify a claimant to receive tax credits for up to 10 years if: (1) the person is operating, or intends to operate a business in this state; and (2) the person applies and enters into a contract with WEDC, prior to certification or verification of tax credits, that includes penalties for non-compliance. A person that is certified can only receive tax credits for each year that the following apply: (a) the person increases net employment in the business above the net employment in this state in the person's business during the year before the person was certified; and (b) the person pays the eligible employee the required wages and/or provides the required training. A business is required to maintain for five years any positions for which credits are claimed, and may be required to repay any tax credits claimed for a year in which the claimant fails to maintain employment at a level required under the contract with the Corporation.

In awarding jobs tax credits, WEDC gives special consideration to manufacturing businesses, and preference to the areas with the greatest economic need. WEDC also considers: (1) whether the project might not occur without the allocation of tax credits; (2) the extent to which the project will increase employment in the state; (3) the extent to which the project will increase economic growth in the state; (4) the extent to which the project will increase the geographic diversity of the available tax credits throughout the state; (5) the financial soundness of the business; and (6) any previous financial assistance the business has received from Commerce/ WEDC.

As with the enterprise zone program, certain types of businesses (payday lenders, telemarketers, etc.) are ineligible for jobs tax credits.

The maximum amount of tax credits that WEDC can allocate in a calendar year is $10 million. WEDC 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 JFC. These reallocated amounts are not subject to the $10 million limit on jobs tax credit claims.

WEDC must notify DOR when it certifies a business to receive tax benefits and within 30 days of when it revokes a certification. The Corporation may revoke a firm's certification or require repayment of a tax credit upon occurrence of any of the following: (1) a breach of the jobs tax credit contract by the business; (2) the business supplies false or misleading information to WEDC; (3) there is a material adverse change in the project for which tax credits were awarded; or (4) the project is relocated to another state within five years of the award. WEDC is required to determine the maximum amount of tax credits that a certified business can claim and notify DOR of the amount. The Corporation must also verify information submitted to it that is related to expenses and tax credits.

"Eligible businesses" are any organizations or enterprises operated for profit, except for a store or shop in which retail sale is the principal business. "Eligible employee" means a person who is employed in a full-time job. "Full-time job" is defined as a regular, nonseasonal full-time position in which an individual, as a condition of employment, is required to work at least 2,080 hours per year, including paid leave and holidays, and for which the individual receives pay of at least 150% of the federal minimum wage and benefits that are not required by federal or state law. A "full-time job" does not include initial training before an employment position begins.

"Tier I" and "Tier II" counties and municipalities are designated as such by WEDC. In making the designations, WEDC considers the following indicators: (1) unemployment rate; (2) percentage of families with incomes below the poverty line; (3) median family income; (4) median per capita income; (5) average annual wage; (6) manufacturing assessment values, by county; and (7) other significant or irregular indicators of economic distress, such as a natural disaster or mass layoff. These are the same factors that must be considered in designating "Tier I" and "Tier II" areas under the enterprise zone program.

The Tier I and Tier II designations for counties are the same as those used for enterprise zone credits. As noted, Attachment III provides a map of which counties are designated Tier I and Tier II for 2014-15.

Farmland Preservation Tax Credit. Owners of eligible farmland (including corporate owners) can receive a refundable tax credit under the farmland preservation program. To be eligible, the claimant must own farmland that: (1) produced at least $6,000 in gross farm profits during the year for which the credit is claimed or at least

$18,000 during the year for which the credit is claimed and the preceding two years; and (2) is designated by one or more land-use restrictions preserving the land for long-term agricultural use.

2009 Act 28 effectively replaced the previous farmland preservation tax credit, which was based on the claimant's property taxes and income, and replaced it with a refundable per-acre credit. Beginning in tax year 2010, the farmland preservation credit for most claimants is calculated by multiplying the claimant's qualifying acres by one of the following amounts:

1. $10, if the qualifying acres are located in a farmland preservation zoning district and are also subject to a farmland preservation agreement that is entered into after June 30, 2009;

2. $7.50, if the qualifying acres are located in a farmland preservation zoning district but are not subject to a farmland preservation agreement that is entered into after June 30, 2009; or

3. $5, if the qualifying acres are subject to a farmland preservation agreement that is entered into after June 30, 2009, but are not located in a farmland preservation zoning district.

For additional information on this credit, please see the Legislative Fiscal Bureau's informational paper entitled "Working Lands and Farmland Preservation Tax Credits."

ATTACHMENT I

Business Tax Credits Used in Tax Year 2011

	Number of Claimants	Total Credits Used	Average Credit Used Per Claimant
Credits Available in Tax Year 2015			
Enterprise Zones	13	$26,085,823	$2,006,602
Farmland Preservation 2010 and Beyond	11,002	15,955,796	1,450
Pre-2010 Farmland Preservation	4,275	3,296,432	771
Research Expense	216	14,371,781	66,536
Shared Research Credits	474	10,297,494	21,725
Economic Development	226	5,020,849	22,216
Kenosha, Janesville, and Beloit Development Opportunity Zones	173	4,124,036	23,838
Angel Investment	383	3,472,238	9,066
Early Stage Seed	233	1,523,964	6,541
Manufacturing Investment	208	1,935,423	9,305
Supplement to the Federal Historic Rehabilitation Credit	369	1,891,187	5,125
Insurance Security Fund Assessment	107	623,163	5,824
Jobs Tax Credit*	19	63,794	3,358
Other Credits**	N/A	403,204	N/A
Credits That Are No Longer Available			
Dairy and Livestock	8,110	24,106,814	2,972
Dairy Manufacturing Facility	139	614,242	4,419
Dairy Co-op Manufacturing Facility	88	14,473	164
Health Insurance Risk Sharing Plan	156	3,771,491	24,176
Super Research and Development	21	2,039,383	97,113
Research Facility	8	452,295	56,537
Manufacturer's Sales Tax	42	1,806,893	43,021
Technology Zone	55	667,868	12,143
Food Processing and Warehousing	136	562,997	4,140
Meat Processing Facility	61	332,717	5,454
Film Production Services (Refundable)	104	265,962	2,557
Film Production Investment (Refundable)	15	31,920	2,128
Film Production Services (Nonrefundable)	9	13,650	1,517
Biodiesel Fuel Production	34	64,908	1,909
Beginning Farmer and Farm Asset Owner	8	11,868	1,484
Other credits***	N/A	663,279	N/A
Total Credits Used in Tax Year 2011****		$124,485,944	

*Jobs tax credit first became refundable for taxpayers beginning in tax year 2012.

**Includes the following credits used: (1) engine research expense; (2) development zones; and (3) community rehabilitation. Separate lines have been suppressed into one line in order to protect taxpayer confidentiality.

***Includes the following credits used: (a) internet equipment; (b) film production investment (nonrefundable); (c) certified capital investment; (d) water consumption; (e) woody biomass harvesting and processing investment; (f) development zone environmental remediation; (g) development zone location; and (h) post-secondary education. Separate lines have been suppressed into one line in order to protect taxpayer confidentiality.

****Totals are not shown for the number of claimants or average claim per claimant because a taxpayer may claim multiple credits.

Source: Department of Revenue Aggregate Statistics and the Office of the Commissioner of Insurance

ATTACHMENT II

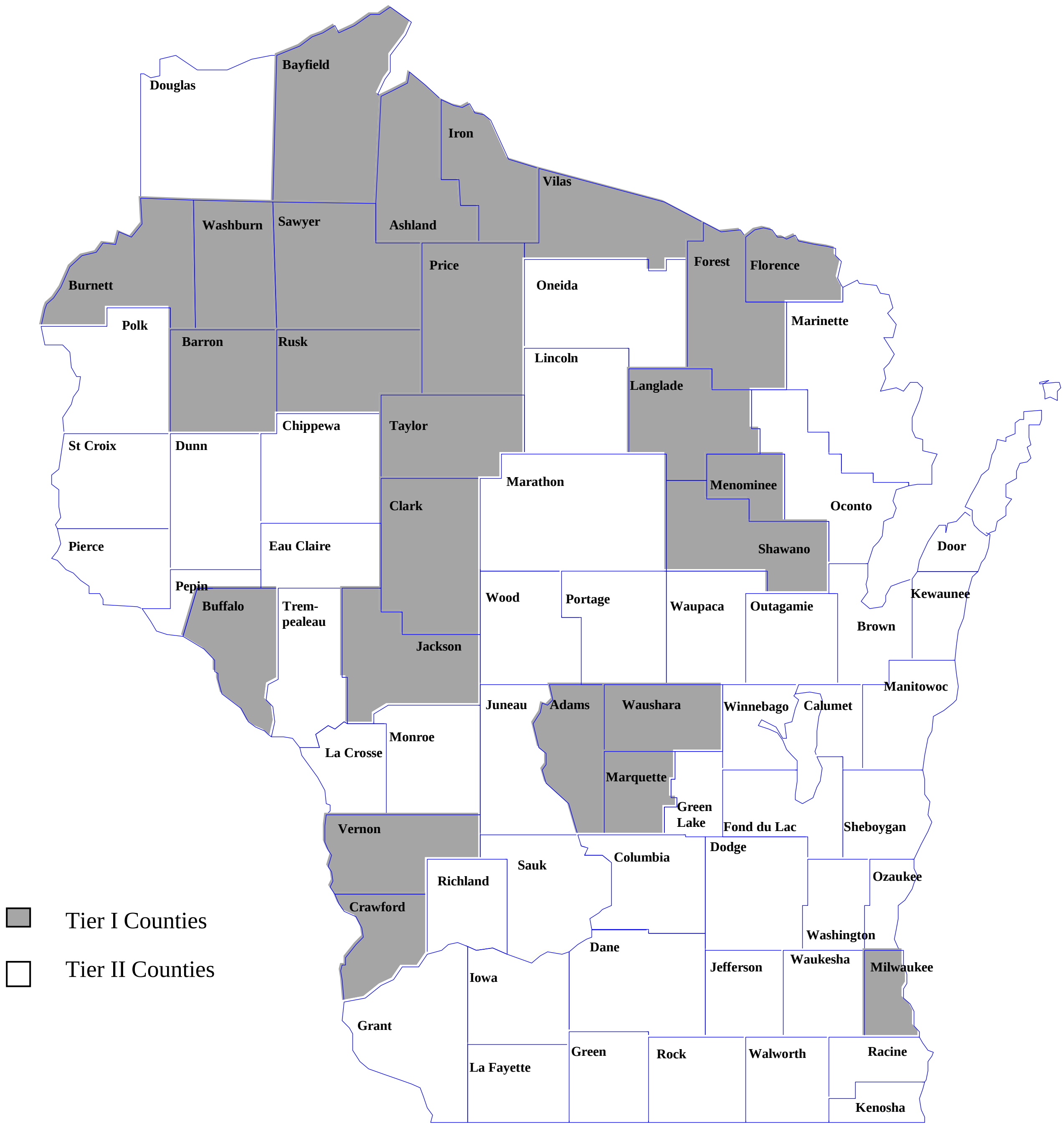
2013-14 Expenditures for Refundable Business Tax Credits

Credits Available in Tax Year 2015	
Enterprise Zones	$34,382,721
Farmland Preservation Credit, 2010 and Beyond	17,610,926
Pre-2010 Farmland Preservation Credit	1,669,429
Jobs Tax Credit	7,642,867
Credits that are No Longer Available	
Dairy Manufacturing Facility Investment	601,096
Dairy Manufacturing Facility Investment; Dairy Co-ops	68,880
Meat Processing Facility Investment	543,051
Food Processing Plant and Food Warehouse Investment	536,094
Film Production Services	396,314
Film Production Company Investment	14,908
Woody Biomass Harvesting and Processing	149,747
Beginning Farmer and Farm Asset Owner	-1,916
Total 2013-14 Refundable Credits:	$63,614,117

Source: State of Wisconsin 2013-14 Annual Fiscal Report

ATTACHMENT III

Tier I and Tier II Counties Under Enterprise Zones and Jobs Credits (2014-15)



Source: Wisconsin Economic Development Corporation