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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative John Nygren

Date: October 4, 2016

Re: WEDC Report to JFC

Attached is the Transferable Economic Development Tax Credit Report from the Wisconsin Economic Development Corporation, pursuant to s. 238.3045(3), Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

AD:JN:jm

MEMO

OCT 04 2016
St. Finance



To: Joint Committee on Finance Members
From: Wisconsin Economic Development Corporation
Date: October 3, 2016
Re: Transferable Economic Development Tax Credit Report under § 238.3045(3)

Wisconsin Statute § 238.3045(3) requires WEDC to provide the Joint Committee on Finance a detailed assessment of the progress to date of the transferable awards made under the ETC program.

Background

The Economic Development Tax Credit (ETC) was created by 2009 Act 2, effective for tax years beginning after December 31, 2008. This non-refundable credit allowed businesses to claim tax benefits for creating or retaining jobs, training employees, making capital investments and locating a corporate headquarters in Wisconsin.

The ability to transfer tax benefits was included in 2013 Act 184, effective for tax years beginning on January 1, 2014. These changes allowed tax benefits to be transferred to a third party conducting the eligible activities in exchange for non-cash considerations associated with the project. Statutes restricted the amount of transferable ETC benefits to \$15 million, to be authorized before April 4, 2017.

2015 Act 55 created the Business Development Tax Credit Program, which consolidated the Economic Development and Jobs Tax Credit Programs into a single refundable incentive program to be used for business development opportunities beginning in calendar year 2016. The ETC Program sunset Dec. 31, 2015 for making new awards.

Reporting

Since the inception of ETC-Transferable benefits in FY15, WEDC has published detailed information for each award as part of the Annual Report on Economic Development (ARED). The FY16 report, published on October 1, 2016, contains information about all economic development programs in the State of Wisconsin, including the ETC. Program results can be viewed on the Outcomes section of the [InWisconsin website](#), in the [2016 ARED](#), the interactive [Impact Map](#) and the searchable [electronic database](#).

ETC Program Summary

Throughout FY15-16, WEDC made a total of four (4) ETC-Transferable awards. These awards were made in four (4) different Wisconsin counties for over \$1.3 million in tax credits. Over the same time period, WEDC contracted 60 standard ETC awards throughout the state worth over \$27.5 million.

In FY15-16, ETC-Transferable awards represented approximately six (6) percent of all ETC and ETC-T awards with respect to both the number of projects and the amount of tax credits awarded. The following table summarizes these results.

	ETC	ETC-T
Number of Awards		
2015	44	3
2016	16	1
Award Amounts		
2015	\$ 19,930,525	\$ 701,000
2016	\$ 7,519,000	\$ 600,000
Total Awards	60	4
Total Award Amounts	\$ 27,449,525	\$ 1,301,000

Transfer Utilization

Transferability allows ETC recipients to exchange tax credits for other, non-cash, considerations associated with the eligible activities of the project. Typically, these considerations include real estate, development, facility or lease costs.

Of the four ETC-Transferable awards, two were utilized for related development costs, and two were used for long-term facility costs. The following table provides details for each of the ETC-Transferable awards.

	Recipient	County	Award Amount	Transfer Consideration
	Greenwood Pack	Eau Claire	\$356,000	Real estate costs
	Hilmot LLC.	Waukesha	\$145,000	Facilities management
	Johnsonville Sausage, LLC	Sheboygan	\$600,000	Development costs
	Polyfirst Packaging, Inc.	Dodge	\$200,000	Commercial rent costs

Expected Results

In total, these ETC-Transferable awards are expected to create 184 jobs, retain over 350 jobs and leverage nearly \$65 million of additional investment through 2020. The following table summarizes projections of the direct economic impacts of the ETC-Transferable awards.

Number of Projects	4
Award Amount	\$ 1,301,000
Direct Jobs to Be Created	184
Investment Per Job Created	\$ 7,071
Direct Earnings Created	\$ 12,222,975
Average Earnings Per Job Created	\$ 66,429
Annual Direct State Income Tax Impact	\$ 529,255
5-Year Direct State Income Tax Impact	\$ 2,646,274
Average Payback Period (Years)	2.5
5-Year Return on Investment (ROI)	103%